

The **11**th Fiscal Year

Interim Report

April 1, 2022 ▶ September 30, 2022



TAKAOKA TOKO CO., LTD.

Stock Exchange Code: 6617





Takashi Ichinose

President and Representative Director
TAKAOKA TOKO CO., LTD.

Let me express my heartfelt gratitude to all shareholders for their continued support.

I hereby present the 11th Fiscal Year Interim Report (from April 1, 2022 to September 30, 2022) of TAKAOKA TOKO (the “Company”) and report on the overview of our business.

Connecting hopes and dreams with the power of technology!



Progress and Results of Business Operations

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, and we will strive to move forward for our future sustainable growth.

We would like to express our deepest apologies once again for causing great inconvenience and concern to our customers, shareholders and related parties due to the improper cases of gas-insulated switchgears and remote controllers for automatic switch gears, which we announced on August 27, 2021, September 8, 2021, and October 29, 2021, and for the resultant temporary suspension of our ISO9001 certification (lifted on January 6, 2022).

We will continue to engage in company-wide reforms from the four perspectives of “QMS” (Quality Management System), “human resource development,” “communication,” and “awareness and cultural environment,” which are measures announced on October 29, 2021 to prevent any reoccurrence, in efforts to restore the trust of our customers.

To further promote these initiatives, we established the “Management Reformation Task Force” in April 2022, which was under the direct control of the President. 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.”

In the electric power industry, the largest clientele of the TAKAOKA TOKO Group (the “Group”), the situation surrounding the Group is changing significantly and becoming increasingly severe. 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, with the aim of realizing a carbon-free society, the Japanese government has announced the “2050 Carbon Neutrality Declaration,” as a result of which the further diffusion in Japan of decentralized energy-related equipment, including renewable energy equipment, is getting underway, and demand for quick chargers for electric vehicles is starting to pick up.

The Group formulated the “2030 Vision & Medium-Term Management Plan 2023” in April 2021. Based on the three policies of “Enhance and transform our core business,” “Structural transformation of business foundation,” and “Create a vision for 2030,” we have embarked on bilateral management that simultaneously reforms our existing businesses and develops 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.

During the period under review, despite a decline in the number of overseas construction projects, we posted net sales of 42,243 million yen (a year-on-year increase of 5.7%), mainly due to an increase in sales of 3D inspection systems, disconnecting switches, and power distribution equipment.

In terms of profit, we posted operating income of 2,301 million yen (a year-on-year increase of 86.6%), ordinary income of 2,489 million yen (a year-on-year increase of 95.8%), and profit attributed to shareholders of the parent company of 1,620 million yen (a year-on-year increase of 41.1%). Despite the impact on sales of longer delivery times for the procurement of semiconductors and other parts for some products and the rise in 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 (improvement) activities resulted in an increase in all profit measures.

Outlook for the Fiscal Year

The business forecast for the fiscal year ending on March 31, 2023 remains unchanged from that published on April 27, 2022, estimating net sales of 93,000 million yen, operating income of 4,400 million yen, ordinary income of 4,500 million yen, and profit attributed to shareholders of the parent company of 3,000 million yen.

The forecast for interim dividend also remains unchanged at 30 yen per share (including an ordinary dividend of 25 yen and a 10th anniversary commemorative dividend of 5 yen), based on the consolidated business results for the period under review, as well as the business forecast for the current fiscal year.

Status by Segment

The status of each segment is as follows.

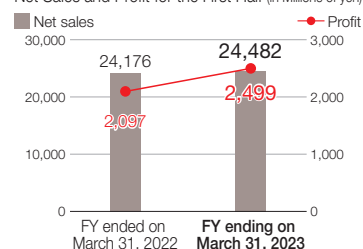
From the period under review, we have changed the segment classifications for disclosure in line with an organizational revision. The results for the same period of the previous fiscal year have been recalculated based on the new classifications.

Electric Equipment Business

Major products and services Equipment for power receiving, transforming and distribution, monitoring and control systems, control equipment, etc.

We achieved segment net sales of 24,482 million yen (a year-on-year increase of 1.3%) and segment profit of 2,499 million yen (a year-on-year increase of 19.1%), mainly due to an increase in disconnecting switches, power distribution equipment and plant projects for social infrastructure, despite a decline in plant projects for electric power companies and a decline in overseas construction projects.

Net Sales and Profit for the First Half (in Millions of yen)

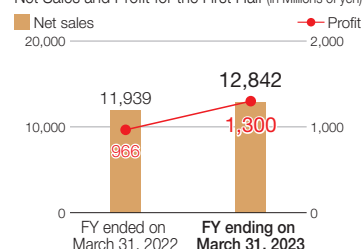


Metering Business

Major products and services Transformers, various types of meters (for electricity, gas, and water services), undertaking replacement of expired meters (*), etc.
* "Replacement of expired meters" means the replacement work of electric meters conducted pursuant to the Measurement Act.

We achieved overall net sales of 12,842 million yen (a year-on-year increase of 7.6%) due to an increase in transformers and smart meters, despite a decrease in inspections, and segment profit increased to 1,300 million yen (a year-on-year increase of 34.6%).

Net Sales and Profit for the First Half (in Millions of yen)

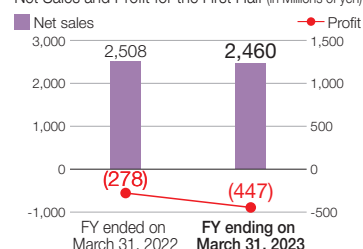


GX Solution Business

Major products and services Energy metering and control equipment, quick chargers for electric vehicles, embedded software, thin client systems (*1), smart grid business, PPP(*2)/PFI(*3) business, etc.
(*1) A "thin client system" is a simple structured terminal for information networks with a simple structure, which has no application software or data, with no external memory devices or hard disks on the terminal side. It has superiority in preventing leakage of information, including personal information.
(*2) Public Private Partnership (PPP) is a concept of utilizing wide-ranging private sector know-how and technologies to improve administrative services and achieve the efficient use of public financing through public-private partnerships.
(*3) Private Finance Initiative (PFI) is a method for construction, maintenance, and operation of public facilities utilizing private financing, management capabilities and technical abilities.

We achieved overall net sales of 2,460 million yen (a year-on-year decrease of 1.9%) due to a decline in the PPP/PFI promotion business, despite an increase in the system infrastructure solutions and EMS (energy management system) businesses. Segment loss deepened to 447 million yen (segment loss of 278 million yen in the previous fiscal year).

Net Sales and Profit for the First Half (in Millions of yen)

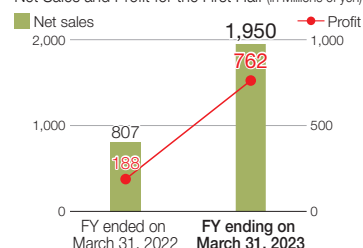


Applied Optics Inspection System Business

Major products and services 3D inspection systems (*), etc.
(*) A "3D inspection system" means a system to measure and inspect external appearance (height, depth and surface form) of electronic circuit substrates.

We achieved overall net sales of 1,950 million yen (a year-on-year increase of 141.6%) and segment profit increased substantially to 762 million yen (a year-on-year increase of 305.1%), due to robust sales of 3D inspection systems in line with greater demand for semiconductors.

Net Sales and Profit for the First Half (in Millions of yen)

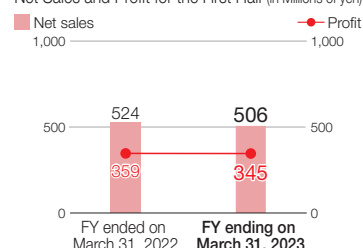


Other Businesses

Major products and services Real estate leasing of office buildings, etc.

We achieved overall net sales of 506 million yen (a year-on-year decrease of 3.3%) due to a decrease in real estate leasing revenue. Segment profit decreased to 345 million yen (a year-on-year decrease of 4.0%).

Net Sales and Profit for the First Half (in Millions of yen)



Initiatives for carbon neutrality

We are engaged in the continuing reduction of environmental burden through all aspects of our corporate activities and providing products and services that reduce environmental burden, aiming to achieve carbon-neutrality by 2050.

In our corporate activities, we have established targets for fiscal 2030 of a “46% reduction in CO₂ emission compared with fiscal 2014”^{(*)1} and a “1% annual reduction in energy intensity.” Moreover, in June 2022, we declared our support for the recommendations of the TCFD,^{(*)2} and joined the TCFD Consortium, a forum for discussion between companies and financial institutions that endorse the recommendations.

In terms of products, we will launch a new model of medium-capacity quick chargers for electric vehicles in December 2022. This product is optimized to meet the charging needs of corporate commercial-use electric vehicles and light electric vehicles. They are also the slimmest wall-mounted chargers in the industry and can be installed in locations where limited space makes it difficult to install stand-alone chargers.

(*)1 2014, the year when our previous two business companies were completely integrated, has been chosen as the reference year for these targets.

(*)2 Task Force on Climate-related Financial Disclosures, an organization that advocates assessment of the financial impact of risks and opportunities associated with climate change on corporate management and disclosure concerning “governance,” “strategy,” “risk management,” and “metrics and targets.”



The new model medium-capacity quick charger for electric vehicles

Overseas business initiatives

At Takaoka Engineering Co., Ltd., we completed Rwanda’s Project for the Improvement of Substations and Distribution Network (Phase 3) in August 2022. This year marks the 60th anniversary of the establishment of friendly relations between Japan and Rwanda, and a commemorative ceremony was held at the project construction site (Gasogi substation, Kigali), which was attended by Takaoka Engineering’s President (Representative Director) Ichikawa. We have also received new orders for projects in Malawi, Cuba, Uganda, Tuvalu, and Kiribati, and we are contributing to the development of economic activity by solving problems to achieve a stable supply of electric power.

In addition, at Takaoka Engineering Co., Ltd., we have established the new ATS Alliance Project, a project under the direct control of the President, to further accelerate the joint business with Takaoka Engineering’s affiliated company Applied Technical Systems Joint Stock Company (ATS) in Vietnam. As part of this project, core members of ATS visited Japan and engaged in personnel interchange with members from Takaoka Engineering from July to September 2022.



The completed Gasogi substation

Initiatives related to the promotion of diversity

In September 2022, we obtained “Eruboshi” and “Kurumin” certifications from the Ministry of Health, Labour and Welfare. “Eruboshi” is a program that certifies companies undertaking outstanding initiatives related to the promotion of female participation and career advancement. We satisfied all of the certification criteria, such as recruitment, continuing employment, the ratio of managers, etc., and obtained the highest three-star certification. “Kurumin” is a program that certifies companies with excellent systems in place to support a balance between work and childcare, such as the control of long working hours and the use of childcare leave.

Other initiatives include the launch of the Diversity Promotion Committee in December 2021, which establishes programs and systems to facilitate female participation and career advancement and strengthens human resources development. In August 2022, we launched a year-long series of educational measures including training for selected female personnel, aimed at raising awareness and learning management skills.

We will continue to promote diversity, focusing not only on initiatives related to female participation and career advancement and childcare, but also on creating comfortable working environments for diverse personnel.



Eruboshi Mark



Kurumin Mark

Overview of Consolidated Financial Statements

Consolidated Balance Sheets (in Millions of yen)

Item	Previous Fiscal Year As of March 31, 2022	First Half FY As of September 30, 2022
[Assets]		
Current Assets	59,001	58,829
Non-current Assets	41,241	40,732
Property, plant and equipment	35,082	34,666
Intangible assets	1,877	1,835
Investments and other assets	4,281	4,229
Total Assets	100,242	99,562
[Liabilities]		
Current Liabilities	25,129	23,084
Long-term Liabilities	19,554	19,339
Total Liabilities	44,683	42,423
[Net Assets]		
Shareholders' Equity	51,226	52,463
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

Note: Amounts less than one million yen have been truncated.

Consolidated Statements of Income (in Millions of yen)

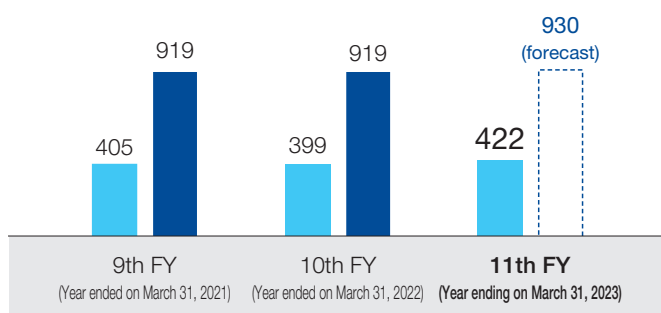
Item	Previous First Half FY From April 1, 2021 to September 30, 2021	Current First Half FY From April 1, 2022 to September 30, 2022
Net sales	39,955	42,243
Cost of sales	31,045	31,938
Gross profit	8,910	10,304
General and administrative expenses	7,676	8,002
Operating income	1,233	2,301
Non-operating income	156	283
Non-operating expenses	118	95
Ordinary income	1,271	2,489
Extraordinary income	831	0
Extraordinary loss	18	3
Income before taxes	2,084	2,486
Income taxes	458	639
Net income	1,625	1,847
Profit attributed to non-controlling interests	476	226
Profit attributed to shareholders of the parent company	1,148	1,620

Note: Amounts less than one million yen have been truncated.

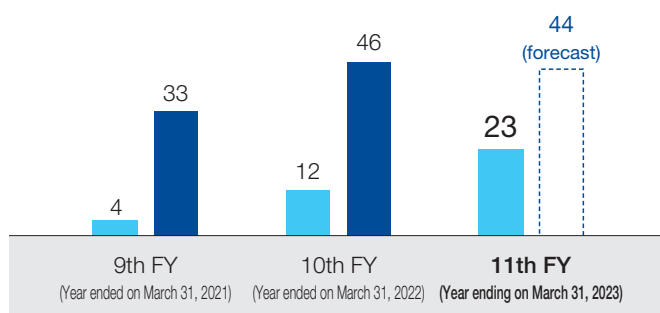
Consolidated Financial Highlights

■ First Half FY ■ Full FY

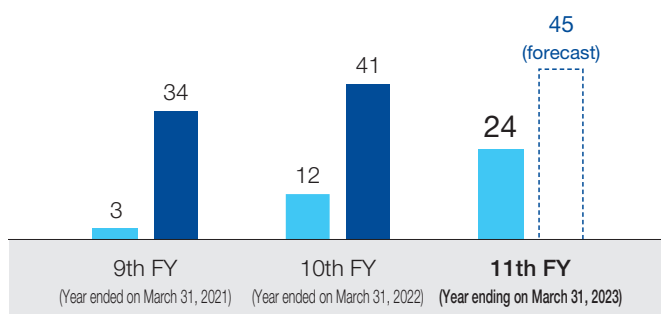
Net sales (in Hundreds of millions of yen)



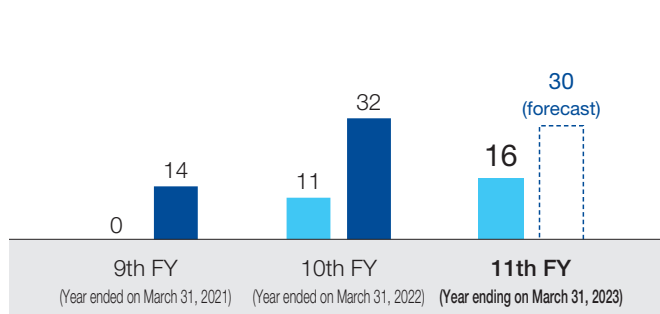
Operating income (in Hundreds of millions of yen)



Ordinary income (in Hundreds of millions of yen)



Profit attributed to shareholders of the parent company (in Hundreds of millions of yen)



Note: Amounts less than one hundred million yen have been truncated.

Company Profile

Company Name: TAKAOKA TOKO CO., LTD.
 Established on: October 1, 2012
 Capital: 8 billion yen
 Head Office: 8F Toyosu Prime Square
 5-6-36 Toyosu, Koto-ku, Tokyo 135-0061 Japan
 TEL: +81-3-6371-5000
 FAX: +81-3-6371-5436

Group Companies: Takaoka Engineering Co., Ltd.
 TAKAOKA CHEMICAL CO., LTD.
 Toko Kizai Corporation
 Takaoka Densetsu Co., Ltd.
 FUSHUN TAKAOKA SWITCHGEAR COMPANY LIMITED
 Applied Technical Systems Joint Stock Company
 WATT LINE SERVICE Co., Ltd.
 Toko Electric (Suzhou) Co., Ltd.
 Toshiba Toko Meter Systems Co., Ltd.
 TAKAOKA TOKO KOREA CO., LTD.
 TACTICO, Ltd.
 DEXCO, LTD.
 MintWave Co., Ltd.

Directors

President and Representative Director	Takashi Ichinose	Director (Full-Time Audit and Supervisory Committee Member)	Yoshinori Kurosawa
Director	Tatsuya Wakayama	Director (Audit and Supervisory Committee Member)	Yuichiro Takada
Director	Kunihiko Mizumoto	Director (Audit and Supervisory Committee Member)	Kishiko Wada
Director	Yoshinori Kaneko		
Director	Noriaki Taketani		
Director	Yasuhiro Mishima		
Director	Akira Uemura		

* Directors Yoshinori Kaneko, Noriaki Taketani, Yasuhiro Mishima, Akira Uemura, Yuichiro Takada and Kishiko Wada are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

Share Information

Total number of authorized shares 40,000,000
 Total number of outstanding shares 16,216,377
 (Excluding 59,928 treasury shares)
 Number of shareholders 13,228

List of Major Shareholders (Top 10)

Name of Shareholder	Shares Held (shares)	Shareholding Ratio (%)
TEPCO Power Grid, Incorporated	5,671,260	34.97
The Master Trust Bank of Japan, Ltd. (Trust account)	1,562,100	9.63
Custody Bank of Japan, Ltd. (Trust account)	491,700	3.03
TAKAOKA TOKO Employees' Stock Holding Association	295,542	1.82
DFA INTL SMALL CAP VALUE PORTFOLIO	245,244	1.51
TAIJU LIFE INSURANCE COMPANY LIMITED	209,700	1.29
Meiji Yasuda Life Insurance Company	200,000	1.23
Sumitomo Mitsui Trust Bank, Limited	178,700	1.10
JPMorgan Securities Japan Co., Ltd.	167,980	1.03
Mizuho Securities Co., Ltd.	160,300	0.98

Note: Shareholding ratios are calculated after deducting treasury stock (59,928 shares).

Shareholder Memo

Fiscal year: April 1 through March 31 of the following year

Annual general meeting of shareholders: Late June every year

Record date

Voting rights at annual general meeting of shareholders: March 31

Year-end dividends: March 31

Interim dividends: September 30

Number of shares per unit: 100

Administrator of shareholder registry:

Sumitomo Mitsui Trust Bank, Limited

1-4-1 Marunouchi, Chiyoda-ku, Tokyo

Mailing address:

(Contact for telephone inquiries)

Stock Transfer Agency Department

Sumitomo Mitsui Trust Bank, Limited

2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Japan

Tel. 0120-782-031 (toll-free in Japan)

Contact points: Sumitomo Mitsui Trust Bank, Limited

Main office and branches across the country

Method of public notices

Public notices of the Company shall be published on its website described below: <https://www.tktk.co.jp/ir/stockinfo/publicnotice/>

Financial instruments exchange on which the Company's stock is listed:

Prime Market of the Tokyo Stock Exchange

■ Contact information for changes in addresses, purchase of shares less than one unit and other requests:

Please contact the securities company where you have accounts.

Shareholders who hold special accounts in lieu of accounts at securities companies are requested to contact Sumitomo Mitsui Trust Bank, Limited, the account manager for special accounts.

Requests for forms pertaining to procedures for special accounts are also handled at the following URL:

<https://www.smtb.jp/personal/procedure/agency/>

■ Payment of unclaimed dividends:

Please contact Sumitomo Mitsui Trust Bank, Limited, the administrator of the share registry.