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Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]



January 28, 2025

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

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Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on financial results: Not available

Schedule of financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 - December 31, 2024)

(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	%
Nine months ended December 31, 2024	73,554	1.5	4,192	(21.2)	4,337	(21.1)	2,480	(25.7)
December 31, 2023	72,484	9.4	5,320	41.6	5,500	40.2	3,337	31.0

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥2,874 million [(32.1)%]

Nine months ended December 31, 2023: ¥4,230 million [38.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	154.64	—
December 31, 2023	207.34	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2024	110,209	65,181	54.1
As of March 31, 2024	116,627	63,839	49.9

(Reference) Equity: As of December 31, 2024: ¥59,652 million

As of March 31, 2024: ¥58,250 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, 2024	—	25.00	—	35.00	60.00
Fiscal year ending March 31, 2025	—	25.00	—		
Fiscal year ending March 31, 2025 (Forecast)				25.00	50.00

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

(Note) Breakdown of the year-end dividends for the fiscal year ended March 31, 2024:

Ordinary dividends: 25.00 yen; special dividends: 10.00 yen

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% 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	106,000	(1.3)	5,000	(39.4)	5,200	(35.1)	3,200	(31.5)		199.50

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

Notes:

(1) Significant changes in the scope of consolidation during the period under review: None

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 shares issued (common shares)

1) Total number of shares issued at the end of the period (including treasury shares):

December 31, 2024: 16,276,305 shares

March 31, 2024: 16,276,305 shares

2) Total number of treasury shares at the end of the period:

December 31, 2024: 232,905 shares

March 31, 2024: 238,066 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 16,040,682 shares

Nine months ended December 31, 2023: 16,095,965 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: Yes (voluntary)

* 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 3 of the attachments.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

In response to the series of incidents of impropriety announced so far, the Company has thoroughly identified the true causes, including the background, and has considered recurrence prevention measures. At the same time, the Company announced reform measures to restore the Company to a position where safety, quality, and compliance (“SQC”) are the highest priorities (“the SQC first reform”) in the third quarter of the fiscal year under review (announced on October 28, 2024), based on recommendations in the respective reports (interim, supplementary, and final reports) received from the investigation and verification committee.

“The SQC first reform” is a comprehensive initiative to restore the Company to a position where safety, quality, and compliance are the highest priorities. Based on the results of analysis of common true causes in the Company where the series of incidents of impropriety occurred and the situation continued for a long period of time, the Company started to implement action plans based on the policies for the following four reforms established as pillars.

[Four reforms]

Reform (1) Foster a culture of thinking and acting “SQC first” in an integrated manner from management to work sites

Reform (2) Advance on-site capabilities and create “people and organizations” to support these

Reform (3) Secure “SQC first” in the structure and environment

Reform (4) Concentrate resources (people, money, technology) through business structure reforms

We would like to once again express our deepest apologies to our customers and other stakeholders for any inconvenience and concern after the incidents of impropriety of our gas insulated switchgear were identified in August 2021. With reflections and lessons learned from the series of incidents of impropriety in mind, all directors, officers, and employees of the Group will work together to implement this reform and rebirth as new TAKAOKA TOKO with an SQC first mindset. We will also strive to rebuild a system to continuously provide products with high safety and quality to regain the trust of our customers that was greatly lost.

The next medium-term management plan (fiscal years 2025 through 2027), which is to be announced in April 2025, will have basic policies comprising four pillars of “the SQC first reform,” “restoration and strengthening of core businesses,” “rebuilding of a growth story,” and “strengthening of a management base.” The Company is currently working on and discussing the setting of numerical targets (KGIs) and detailed measures (KSFs and KPIs) to achieve them. We would like to formulate a story for restoration and growth to be a company that is truly trusted by our stakeholders, such as the increase of customer satisfaction, maximization of shareholder value, and enhancement of employee engagement, and present it in the next medium-term management plan.

Despite a decline in sales for the Applied Optics Inspection System Business, net sales for the nine months ended December 31, 2024 totaled 73,554 million yen (up 1.5% year on year), mainly due to increases in the Metering Business and the GX Solution Business.

On the profit front, operating profit decreased to 4,192 million yen (down 21.2% year on year), ordinary profit decreased to 4,337 million (down 21.1% year on year), and profit attributable to owners of parent decreased to 2,480 million (down 25.7% year on year), mainly due to an increase of R&D expenses.

The impact of the series of incidents of impropriety on business performance includes decreases in net sales of approximately 2.7 billion yen and operating profit of approximately 1.1 billion yen mainly due to a decrease in orders caused by suspending bids of some customers and increases in costs for handling delivered products and an attorney’s fees.

The operating results for each business segment are detailed below.

In the Electric Equipment Business segment, net sales for the segment as a whole decreased to 40,074 million yen (down 2.2% year on year) due to the decline in overseas construction projects and power distribution

equipment despite increases in sales for general plant projects and extra-high-voltage power receiving and transforming equipment, including disconnectors. Segment profit decreased to 3,971 million yen (down 13.0% year on year).

In the Metering Business segment, net sales for the segment as a whole rose to 24,897 million yen (up 10.8% year on year) due to increases in sales for smart meters and replacement of expired meters, with segment profit increasing to 3,925 million yen (up 10.9% year on year).

In the GX Solution Business segment, net sales for the segment as a whole increased to 6,694 million yen (up 7.9% year on year) due to an increase in EV chargers sales. Segment loss, however, expanded to 512 million yen (compared to segment loss of 174 million yen in the same period of the previous fiscal year) due to an increase of R&D expenses.

In the Applied Optics Inspection System Business segment, sales of 3D inspection system decreased due to partially continued investment restraint in the semiconductor industry. As a result, net sales for the segment as a whole decreased to 1,154 million yen (down 45.2% year on year) and segment profit also decreased to 59 million yen (down 86.6% year on year).

In the Other Businesses segment, net sales for the segment as a whole increased to 733 million yen (up 0.3% year on year) and segment profit increased to 500 million yen (up 2.3% year on year).

(2) Explanation of Financial Position

At the end of the third period under review, total assets decreased by 6,417 million yen compared to the end of the previous fiscal year to 110,209 million yen. This was primarily due to decreases in trade receivables and cash and deposits despite an increase in inventories.

Liabilities decreased by 7,759 million yen from the end of the previous fiscal year to 45,028 million yen. This was primarily due to decreases in notes and accounts payable - trade, income taxes payable, and provision for bonuses despite an increase in contract liabilities.

Net assets increased by 1,342 million yen from the end of the previous fiscal year to 65,181 million yen. This was primarily due to an increase in retained earnings owing to the recording of profit attributable to owners of parent.

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

Regarding the full-year consolidated financial results forecast, we have not made any changes to the consolidated financial results forecast announced on October 28, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	15,475	10,699
Notes and accounts receivable - trade, and contract assets	27,749	20,281
Electronically recorded monetary claims - operating	1,976	2,467
Merchandise and finished goods	2,475	2,609
Work in process	17,434	19,984
Raw materials and supplies	7,668	8,479
Other	1,952	3,045
Allowance for doubtful accounts	(46)	(46)
Total current assets	74,687	67,521
Non-current assets		
Property, plant and equipment		
Buildings and structures	33,099	33,366
Accumulated depreciation	(22,667)	(23,152)
Buildings and structures, net	10,432	10,213
Machinery, equipment and vehicles	22,765	23,040
Accumulated depreciation	(20,353)	(20,588)
Machinery, equipment and vehicles, net	2,412	2,452
Tools, furniture and fixtures	11,865	12,130
Accumulated depreciation	(10,971)	(11,167)
Tools, furniture and fixtures, net	894	963
Land	20,490	20,490
Construction in progress	378	1,519
Total property, plant and equipment	34,607	35,638
Intangible assets		
Other	1,943	1,888
Total intangible assets	1,943	1,888
Investments and other assets		
Investment securities	1,372	1,286
Long-term loans receivable	110	104
Retirement benefit asset	1,739	1,835
Deferred tax assets	1,298	1,068
Other	868	865
Allowance for doubtful accounts	(0)	—
Total investments and other assets	5,389	5,160
Total non-current assets	41,940	42,688
Total assets	116,627	110,209

(Million yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,451	13,704
Electronically recorded obligations - operating	84	87
Short-term borrowings	2,740	1,910
Income taxes payable	2,323	221
Contract liabilities	3,010	4,399
Provision for bonuses	2,674	1,133
Provision for loss on construction contracts	0	—
Other	5,599	3,769
Total current liabilities	31,884	25,225
Non-current liabilities		
Long-term borrowings	2,800	1,800
Deferred tax liabilities	1,385	1,835
Provision for repairs	1,340	1,387
Provision for environmental measures	93	80
Provision for product warranties	2,090	1,851
Provision for share awards for directors (and other officers)	156	152
Retirement benefit liability	12,285	11,905
Other	751	790
Total non-current liabilities	20,903	19,802
Total liabilities	52,788	45,028
Net assets		
Shareholders' equity		
Share capital	8,000	8,000
Capital surplus	7,408	7,408
Retained earnings	41,920	43,428
Treasury shares	(454)	(443)
Total shareholders' equity	56,874	58,393
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	391	359
Deferred gains or losses on hedges	30	33
Foreign currency translation adjustment	452	438
Remeasurements of defined benefit plans	501	426
Total accumulated other comprehensive income	1,375	1,259
Non-controlling interests	5,588	5,529
Total net assets	63,839	65,181
Total liabilities and net assets	116,627	110,209

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	72,484	73,554
Cost of sales	54,112	55,363
Gross profit	18,371	18,190
Selling, general and administrative expenses	13,051	13,997
Operating profit	5,320	4,192
Non-operating income		
Interest income	3	3
Dividend income	25	31
Foreign exchange gains	71	6
Rental income from facilities	55	58
Sold power	25	40
Share of profit of entities accounted for using equity method	—	38
Compensation received	42	—
Other	69	34
Total non-operating income	292	214
Non-operating expenses		
Interest expenses	18	36
Sold power expenses	26	17
Share of loss of entities accounted for using equity method	53	—
Other	14	15
Total non-operating expenses	113	69
Ordinary profit	5,500	4,337
Extraordinary income		
Gain on sale of non-current assets	3	1
Gain on sale of investment securities	—	66
Gain on sale of shares of subsidiaries and associates	—	24
Total extraordinary income	3	92
Extraordinary losses		
Loss on abandonment of non-current assets	15	32
Office relocation expenses	15	—
Loss on valuation of investment securities	67	—
Loss on sales of investments in capital of subsidiaries and associates	—	22
Earthquake-resistant construction expense	—	74
Total extraordinary losses	98	129
Profit before income taxes	5,404	4,301
Income taxes - current	1,034	588
Income taxes - deferred	446	724
Total income taxes	1,481	1,313
Profit	3,923	2,987
Profit attributable to non-controlling interests	586	507
Profit attributable to owners of parent	3,337	2,480

Quarterly Consolidated Statements of Comprehensive Income
Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	3,923	2,987
Other comprehensive income		
Valuation difference on available-for-sale securities	95	(31)
Deferred gains or losses on hedges	(0)	3
Foreign currency translation adjustment	40	15
Remeasurements of defined benefit plans, net of tax	97	(75)
Share of other comprehensive income of entities accounted for using equity method	74	(25)
Total other comprehensive income	307	(112)
Comprehensive income	4,230	2,874
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,633	2,363
Comprehensive income attributable to non-controlling interests	597	510

(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.

(Notes on segment information, etc.)

[Segment information]

I. For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on net sales and profit or loss by reportable segment and information on disaggregated revenue

(Million yen)

	Reportable segment					Other (Note 1)	Total
	Electric Equipment Business	Metering Business	GX Solution Business	Applied Optics Inspection System Business	Total		
Net sales							
Revenue arising from contracts with customers	40,979	22,463	6,204	2,106	71,753	—	71,753
Other revenue (Note 2)	—	—	—	—	—	731	731
Net sales to outside customers	40,979	22,463	6,204	2,106	71,753	731	72,484
Inter-segment net sales or transfers	1,176	3,869	802	—	5,847	374	6,222
Total	42,155	26,332	7,006	2,106	77,601	1,105	78,706
Segment profit (loss)	4,563	3,540	(174)	445	8,375	489	8,865

(Notes) 1. The "Other" includes a real estate leasing business.

2. Other revenue includes real estate leasing revenue included in the scope of "Accounting Standard for Lease Transactions."

2. Differences between total profit or loss of reportable segments and amounts in quarterly consolidated statements of income and main details (Description of adjustments)

(Million yen)

Profit	Amount
Total segment profit of reportable segments	8,375
Segment profit of "Other"	489
Elimination of inter-segment transactions	48
Corporate expenses (Note)	(3,593)
Other adjustments	0
Operating profit in the quarterly consolidated statements of income	5,320

(Note) Corporate expenses mainly represent general and administrative expenses not attributable to any reportable segments.

II. For the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

1. Information on net sales and profit or loss by reportable segment and information on disaggregated revenue

(Million yen)

	Reportable segment					Other (Note 1)	Total
	Electric Equipment Business	Metering Business	GX Solution Business	Applied Optics Inspection System Business	Total		
Net sales							
Revenue arising from contracts with customers	40,074	24,897	6,694	1,154	72,820	—	72,820
Other revenue (Note 2)	—	—	—	—	—	733	733
Net sales to outside customers	40,074	24,897	6,694	1,154	72,820	733	73,554
Inter-segment net sales or transfers	1,033	4,353	909	—	6,296	390	6,687
Total	41,107	29,250	7,604	1,154	79,117	1,124	80,241
Segment profit (loss)	3,971	3,925	(512)	59	7,443	500	7,944

(Notes) 1. The “Other” includes a real estate leasing business.

2. Other revenue includes real estate leasing revenue included in the scope of “Accounting Standard for Lease Transactions.”

2. Differences between total profit or loss of reportable segments and amounts in quarterly consolidated statements of income and main details (Description of adjustments)

(Million yen)

Profit	Amount
Total segment profit of reportable segments	7,443
Segment profit of “Other”	500
Elimination of inter-segment transactions	70
Corporate expenses (Note)	(3,832)
Other adjustments	9
Operating profit in the quarterly consolidated statements of income	4,192

(Note) Corporate expenses mainly represent general and administrative expenses not attributable to any reportable segments.

(Notes on statements of cash flows)

Quarterly consolidated statements of cash flows have not been prepared for the nine months ended December 31, 2024. Below are depreciation and amortization expenses (including amortization expenses related to intangible assets apart from goodwill) for the nine months ended December 31, 2024.

(Million yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Depreciation and amortization expenses	1,769	1,858

Independent Auditor's Interim Review Report on Quarterly Consolidated Financial Statements

January 28, 2025

To the Board of Directors of TAKAOKA TOKO CO., LTD.

ARK LLC, Tokyo Head Office

Mahito Chiba
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hayato Matsumoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Conclusion

We have reviewed the quarterly consolidated financial statements of TAKAOKA TOKO CO., LTD. (the "Company") listed in the "Attachments" of the Quarterly Financial Results which comprise the quarterly consolidated balance sheets, quarterly consolidated statements of income and comprehensive income and related notes for the third quarter (October 1, 2024 to December 31, 2024) and the first nine-month period (April 1, 2024 to December 31, 2024) of the fiscal year from April 1, 2024 to March 31, 2025.

In our interim review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements are not prepared, in all material respects, in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting standards that are generally accepted in Japan for quarterly financial statements (however, the provisions for reduced disclosure as set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements shall apply).

Basis for Conclusion

We conducted an interim review in accordance with interim review standards generally accepted in Japan. Our responsibility under those standards is further described in the "Auditor's Responsibility in the Interim Review of the Quarterly Consolidated Financial Statements" of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the professional ethics regulations in Japan, and have fulfilled our other ethical responsibilities as an auditor. We believe that we have obtained evidence to provide a basis for our conclusion.

Responsibilities of Management and Audit and Supervisory Committee for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation of quarterly consolidated financial statements in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting standards that are generally accepted in Japan for quarterly financial statements (however, the provisions for reduced disclosure as set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements shall apply). This includes designing and operating such internal control as management determines necessary to enable the preparation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the quarterly consolidated financial statements, management is responsible for assessing whether it is

appropriate to prepare the quarterly consolidated financial statements based on a going concern assumption, as required by Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting standards that are generally accepted in Japan for quarterly financial statements (however, the provisions for reduced disclosure as set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements shall apply).

The Audit and Supervisory Committee is responsible for overseeing the execution of duties by Directors in designing and operating the financial reporting process.

Auditor's Responsibility in the Interim Review of the Quarterly Consolidated Financial Statements

Our responsibility is to express a conclusion from an independent perspective on these quarterly consolidated financial statements based on our interim review as independent auditor.

We make professional judgment and maintain professional skepticism throughout the interim review in accordance with the interim review standards generally accepted in Japan as below.

- Make inquiries, primarily of management and persons responsible for financial and accounting matters, and apply analytical procedures and other interim review procedures. Such a review is substantially less in scope than an audit conducted in conformity with auditing standards generally accepted in Japan.
- If we determine a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we conclude based on the evidence obtained, on whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements are not prepared in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting standards that are generally accepted in Japan for quarterly financial statements (however, the provisions for reduced disclosure as set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements shall apply). In addition, if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's interim review report to the related disclosures in the quarterly consolidated financial statements, or if such disclosures are inadequate, to express a qualified or adverse conclusion. Our conclusions are based on evidence obtained up to the date of our interim review report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether anything has come to attention that causes us to believe that the presentation and notes to the quarterly consolidated financial statements are not prepared in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements of the Tokyo Stock Exchange, Inc. and accounting standards that are generally accepted in Japan for quarterly financial statements (however, the provisions for reduced disclosure as set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements shall apply).
- Obtain evidence regarding financial information of the Company and its consolidated subsidiaries as a basis for expressing a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and review of the quarterly consolidated financial statements. We remain solely responsible for our conclusion.

We report to the Audit and Supervisory Committee on the planned scope and timing of the interim review and significant review findings.

We also report to the Audit and Supervisory Committee that we have complied with the ethical requirements regarding independence in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence, and where applicable, measures taken to eliminate inhibiting factors or safeguards applied to reduce them to an acceptable level.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its consolidated subsidiaries

which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

End

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- Notes: 1. The original copy of the above Independent Auditor's Interim Review Report is in the custody of the Company (a company that discloses quarterly financial results).
2. The XBRL data and HTML data are excluded from the scope of the Interim Review.