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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



January 27, 2023

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 Muneawa, Executive Officer and General Manager, Finance & Accounting Department

Phone: +81-3-6371-5026

Scheduled date of filing quarterly securities report: February 3, 2023

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 Nine Months Ended December 31, 2022 (April 1, 2022 - December 31, 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	%
Nine months ended December 31, 2022	66,230	4.0	3,758	26.2	3,921	28.3	2,547	(3.8)
December 31, 2021	63,654	(1.8)	2,978	55.0	3,057	58.6	2,648	141.3

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥3,053 million [(5.1)%]

Nine months ended December 31, 2021: ¥3,216 million [153.1%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2022	157.76		—	
December 31, 2021	164.11		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of December 31, 2022	101,682		57,741		52.4	
As of March 31, 2022	100,242		55,558		51.3	

(Reference) Equity: As of December 31, 2022: ¥53,241 million

As of March 31, 2022: ¥51,453 million

2. Dividends

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

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

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

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

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

(% indicates changes from the previous corresponding period.)

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

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

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

To commemorate this anniversary, we held the "2022 TAKAOKA TOKO 10th Anniversary Solutions Fair –Aiming to Be a Comprehensive Energy Business Provider–" from December 6 to 7, 2022. We are sincerely grateful to the many visitors who attended the fair and made it such a success.

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

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

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

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

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

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

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

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

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

Specifically, we have integrated the Energy Solution Business Division, the Business Innovation Division,

the Electric Vehicle Infrastructure Promotion Project, and the PPP/PFI Promotion Project to promote synergies and offer optimal proposals to meet diverse customer needs.

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

Despite a decline in the number of overseas construction projects, net sales for the nine months ended December 31, 2022 totaled 66,230 million yen (up 4.0% year on year), mainly due to an increase in sales across the entire Metering Business segment and sales of 3D inspection systems, disconnecting switches, and power distribution equipment.

On the profit front, despite the impact on sales of longer delivery times for the procurement of semiconductors and other parts for some products and the rise in raw material prices, higher net sales in the businesses noted above, as well as factors such as improved profitability in existing businesses due to DX investment, cost reductions from procurement reforms, and the effect of greater productivity from the refinement of kaizen activities resulted in an increase in profit measures, with operating profit totaling 3,758 million yen (up 26.2% year on year) and ordinary profit rising to 3,921 million yen (up 28.3% year on year). However, profit attributable to owners of parent declined to 2,547 million yen (down 3.8% year on year) due to the large extraordinary income posted in the same period of the previous fiscal year.

The operating results for each business segment are detailed below.

In the Electric Equipment business segment, despite an increase in disconnecting switches and power distribution equipment, net sales for the segment as a whole decreased to 38,416 million yen (down 3.0% year on year) due to a decline in plant projects for electric power companies and a decline in overseas construction projects. Segment profit also decreased to 3,992 million yen (down 7.4% year on year).

In the Metering Business segment, net sales for the segment as a whole rose to 20,117 million yen (up 14.4% year on year) due to an increase in instrument transformers and smart meters, despite a decrease in inspections. Segment profit also increased to 1,961 million yen (up 60.5% year on year).

In the GX Solution Business segment, net sales for the segment as a whole decreased to 3,831 million yen (down 6.4% year on year) due to a decline in the PPP/PFI promotion business, despite an increase in the system infrastructure solutions business. Segment losses also deepened to 640 million yen (compared to a loss of 370 million yen in the same period of the previous fiscal year). Segment results for the same period of the previous fiscal year have been reclassified based on the new segments after organizational revision, for the purpose of comparison.

In the Applied Optics Inspection System Business segment, sales of 3D inspection systems trended strongly in line with increased demand for semiconductors. As a result, net sales for the segment as a whole increased to 3,116 million yen (up 95.1% year on year) and segment profit increased significantly to 1,239 million yen (up 214.1% year on year).

In Other Businesses segment, a decline in real estate leasing revenue resulted in a decline in net sales for the segment as a whole to 749 million yen (down 4.4% year on year) and a contraction in segment profit to 496 million yen (down 6.8% year on year).

(2) Explanation of Financial Position

Total assets at the end of the third quarter under review increased by 1,440 million yen compared to the end of the previous fiscal year to 101,682 million yen. This was primarily due to an increase in inventories, despite decreases in notes and accounts receivable - trade, and contract assets and cash and deposits.

Liabilities decreased by 742 million yen from the end of the previous fiscal year to 43,941 million yen. This was primarily due to decreases in provision for bonuses, short-term borrowings and long-term borrowings, despite an increase in contract liabilities.

Net assets increased by 2,182 million yen from the end of the previous fiscal year to 57,741 million yen. This was primarily due to an increase in retained earnings owing to the recording of profit attributable to owners of parent and an increase in non-controlling interests, 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 third quarter under review compared to the same period of the previous fiscal year, the outlook 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	12,448	10,305
Notes and accounts receivable - trade, and contract assets	22,278	18,284
Electronically recorded monetary claims - operating	1,705	2,633
Merchandise and finished goods	2,092	3,232
Work in process	13,288	17,248
Raw materials and supplies	5,718	7,523
Other	1,473	1,805
Allowance for doubtful accounts	(4)	(4)
Total current assets	59,001	61,027
Non-current assets		
Property, plant and equipment		
Buildings and structures	32,750	32,866
Accumulated depreciation	(21,296)	(21,837)
Buildings and structures, net	11,453	11,028
Machinery, equipment and vehicles	21,709	22,003
Accumulated depreciation	(19,446)	(19,833)
Machinery, equipment and vehicles, net	2,263	2,169
Tools, furniture and fixtures	11,373	11,452
Accumulated depreciation	(10,725)	(10,768)
Tools, furniture and fixtures, net	647	683
Land	20,490	20,490
Construction in progress	227	321
Total property, plant and equipment	35,082	34,693
Intangible assets		
Other	1,877	1,807
Total intangible assets	1,877	1,807
Investments and other assets		
Investment securities	1,983	1,747
Long-term loans receivable	135	141
Retirement benefit asset	942	1,070
Deferred tax assets	372	331
Other	859	864
Allowance for doubtful accounts	(13)	—
Total investments and other assets	4,281	4,154
Total non-current assets	41,241	40,655
Total assets	100,242	101,682

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	13,698	13,727
Electronically recorded obligations - operating	68	60
Short-term borrowings	2,400	2,090
Income taxes payable	333	218
Contract liabilities	2,704	3,474
Provision for bonuses	2,246	1,149
Other	3,678	4,054
Total current liabilities	25,129	24,775
Non-current liabilities		
Long-term borrowings	2,200	1,300
Deferred tax liabilities	1,330	1,798
Provision for repairs	1,291	1,339
Provision for environmental measures	198	189
Provision for product warranties	749	696
Provision for share awards for directors (and other officers)	111	100
Retirement benefit liability	12,861	12,970
Other	810	770
Total non-current liabilities	19,554	19,166
Total liabilities	44,683	43,941
Net assets		
Shareholders' equity		
Share capital	8,000	8,000
Capital surplus	7,408	7,408
Retained earnings	36,035	37,691
Treasury shares	(216)	(195)
Total shareholders' equity	51,226	52,903
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	184
Deferred gains or losses on hedges	42	18
Foreign currency translation adjustment	168	263
Remeasurements of defined benefit plans	(146)	(128)
Total accumulated other comprehensive income	226	337
Non-controlling interests	4,105	4,499
Total net assets	55,558	57,741
Total liabilities and net assets	100,242	101,682

(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, 2021	For the nine months ended December 31, 2022
Net sales	63,654	66,230
Cost of sales	49,132	50,361
Gross profit	14,522	15,869
Selling, general and administrative expenses	11,543	12,110
Operating profit	2,978	3,758
Non-operating income		
Interest income	1	1
Dividend income	33	33
Foreign exchange gains	29	116
Rental income from facilities	58	54
Sold power	44	40
Other	45	68
Total non-operating income	213	314
Non-operating expenses		
Interest expenses	41	22
Sold power expenses	19	21
Share of loss of entities accounted for using equity method	50	81
Other	21	24
Total non-operating expenses	134	150
Ordinary profit	3,057	3,921
Extraordinary income		
Gain on sale of non-current assets	0	4
Gain on sale of investment securities	1	34
Gain on extinguishment of tie-in shares	227	—
Compensation income for damage	614	—
Total extraordinary income	843	38
Extraordinary losses		
Loss on abandonment of non-current assets	30	9
Office relocation expenses	17	1
Total extraordinary losses	47	10
Profit before income taxes	3,853	3,949
Income taxes - current	142	518
Income taxes - deferred	541	502
Total income taxes	683	1,020
Profit	3,169	2,928
Profit attributable to non-controlling interests	521	381
Profit attributable to owners of parent	2,648	2,547

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	3,169	2,928
Other comprehensive income		
Valuation difference on available-for-sale securities	(39)	22
Deferred gains or losses on hedges	(4)	(24)
Foreign currency translation adjustment	30	52
Remeasurements of defined benefit plans, net of tax	38	17
Share of other comprehensive income of entities accounted for using equity method	20	56
Total other comprehensive income	46	124
Comprehensive income	3,216	3,053
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,687	2,659
Comprehensive income attributable to non-controlling interests	529	394

(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.