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## Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



January 29, 2024

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  
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 Scheduled date of filing quarterly securities report: February 1, 2024  
 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, 2024 (April 1, 2023 - December 31, 2023)

(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, 2023	72,484	9.4	5,320	41.6	5,500	40.2	3,337	31.0
December 31, 2022	66,230	4.0	3,758	26.2	3,921	28.3	2,547	(3.8)

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥4,230 million [38.6%]  
 Nine months ended December 31, 2022: ¥3,053 million [(5.1)%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2023	207.34		–	
December 31, 2022	157.76		–	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of December 31, 2023	109,381		61,623		51.5	
As of March 31, 2023	106,322		58,460		50.6	

(Reference) Equity: As of December 31, 2023: ¥56,349 million  
 As of March 31, 2023: ¥53,785 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, 2023	–	30.00	–	25.00	55.00
Fiscal year ending March 31, 2024	–	25.00	–		
Fiscal year ending March 31, 2024 (Forecast)				25.00	50.00

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

(Note) Breakdown of the 2nd quarter-end dividends for the fiscal year ended 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, 2024 (April 1, 2023 - March 31, 2024)

(% 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	8.4	6,400	32.0	6,500	38.2	3,600	23.3	223.66

(Note) Revision to the financial results forecast announced most recently: Yes



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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

On January 22, 2024, we made an announcement of incidents of impropriety regarding extra-high-voltage transformer products (“the Incidents”)\*<sup>1</sup>.

We identified the Incidents in the course of performing the total quality inspection for all products of the Company following the announcement of incidents of impropriety regarding certain instrument transformer products made in May 2023.

We would like to once again express our deepest apologies to our customers and other stakeholders for any inconvenience and concern these repeated incidents of impropriety may have caused.

In view of the gravity of the Incidents, we established an independent investigation and verification committee on January 22, 2024. The committee has no vested interest in the Company, and we have delegated three tasks to it: 1. Investigation into the Incidents; 2. Causal analysis and proposal of recurrence prevention measures based on the investigation findings of the Incidents; and 3. Evaluation and verification of the processes of the comprehensive investigation and other measures taken by the Company.

We will offer all-out cooperation to investigations by the investigation and verification committee. We will also continue with comprehensive inspections to identify the true causes of the series of incidents of impropriety and ensure the thorough implementation of recurrence prevention measures while doing all in our power to regain our customers’ trust by striving to further strengthen the compliance systems across the entire Group.

\*1: Published on the Company’s website:

<https://ssl4.eir-parts.net/doc/6617/tdnet/2382637/00.pdf> (available in Japanese)

We also announced the cancellation of ISO 9001 certification on December 5, 2023\*<sup>2</sup>. Since the temporary suspension of ISO 9001, announced on June 16, 2023\*<sup>3</sup>, we formulated and implemented a correction plan for this case and underwent an ad hoc examination by the Electrical Safety and Environment Laboratory (JET), ISO’s registered certification organization. We then received an assessment that the temporary suspension cancellation condition was satisfied. However, as the total quality inspection for all products other than certain instrument transformer products was ongoing, we continued the temporary suspension. Since the certification was to expire on December 5, 2023, we received a notice of cancellation of the certification from JET. We will continue to strive to regain the trust of our customers through the total quality inspection and thorough implementation of preventive measures, and we will do our utmost to quickly reacquire such certification.

\*2: Published on the Company’s website:

[https://www.tktk.co.jp/en/news/assets/pdf/news\\_20231205\\_en.pdf](https://www.tktk.co.jp/en/news/assets/pdf/news_20231205_en.pdf)

\*3: Published on the Company’s website:

[https://www.tktk.co.jp/en/news/assets/pdf/news\\_20230616\\_en.pdf](https://www.tktk.co.jp/en/news/assets/pdf/news_20230616_en.pdf)

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 have risen rapidly and competition has further intensified in the retail business amid growing demands for realizing carbon neutrality, ensuring stable electricity supply and demand, strengthening disaster prevention functions and resilience within local communities, and a revenue cap system—a new system for wheeling charges. 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 become carbon neutral by 2050 as part of its efforts to realize a decarbonized society. In Japan, that has encouraged the further spread of distributed energy-related equipment, including renewable energy, and there are signs of nascent demand for fast chargers for electric vehicles.

Meanwhile, in April 2021, the Group formulated its 2030 VISION and Medium-term Management Plan 2023. Based on the three pillar policies of deepening and transforming our core businesses, transforming the structure of our business foundations, and taking on challenges to cultivate the future vision for 2030, we have

started pursuing an ambidextrous management style that strives to simultaneously transform existing businesses and develop new businesses, in order to achieve our 2030 VISION.

As announced on December 22, 2023, during the third quarter under review, we identified our materiality; key issues that we should address on a priority basis to realize a sustainable society and achieve sustainable enhancement of corporate value.

Prior to the identification of materiality, we formulated the Basic Policy on Sustainability<sup>\*4</sup>, as announced on December 27, 2021.

Our basic policy on sustainability is to implement the TAKAOKA TOKO Group Charter of Corporate Behavior, which was formulated with the aim of achieving sustainable growth in cooperation with society while fulfilling the two-fold mission of “unchanging mission” and “new mission.” In accordance with this basic policy, we are working on various sustainability issues.

As we advance these initiatives, we identified material issues that we should address on a priority basis, in an effort to further deepen coordination between our management strategies and initiatives taken in line with the Basic Policy on Sustainability, while seeking to realize a sustainable society and sustainably enhance corporate value. We also determined what we want our company to be over the long term when we will have successfully addressed our materiality.

To identify materiality, we selected sustainability issues based on the value creation process and management policies that we have taken stock of, as well as mega industry trends and external environments that can affect our business. Then, we assessed the importance of each issue and held repeated rounds of discussions among management and others, until we identified our materiality below. For details, please see the announcement made on December 22, 2023<sup>\*5</sup>.

- Contribution to stable supply and advanced use of electricity
- Contribution to realization of carbon neutrality
- Creation of an organization where diverse people are motivated to co-create and keep challenging themselves
- Stakeholder engagement
- Ensuring of safety, quality, compliance, and enhancement of governance

\*4: Published on the Company’s website:

[https://ssl4.eir-parts.net/doc/6617/ir\\_material/174838/00.pdf](https://ssl4.eir-parts.net/doc/6617/ir_material/174838/00.pdf) (available in Japanese)

\*5: Published on the Company’s website:

[https://ssl4.eir-parts.net/doc/6617/ir\\_material/220287/00.pdf](https://ssl4.eir-parts.net/doc/6617/ir_material/220287/00.pdf) (available in Japanese)

Currently, our Sustainability Committee, which was established on September 25, 2023 to further strengthen the sustainability management promotion system, is working on concrete numerical targets and initiatives, which will be disclosed once they are fixed.

At the end of March 2023, the Tokyo Stock Exchange issued a notice titled, “Action to Implement Management that is Conscious of Cost of Capital and Stock Price.” The situation for the Company with regard to this as of March 31, 2023 was as follows: ROE = 5.5%; PBR = 0.7x. The stock price, ROE and PBR has been on an improving trend relative to March 31, 2019 (ROE = 2.1%; PBR = 0.4x); however, they fall short of the standards detailed in the aforementioned notice and we fully acknowledge that there are still issues.

Going forward, we will begin by analyzing the current situation with reference to the content of the above notice (form an accurate understanding of the Company’s capital costs and returns on capital, and analyze and evaluate the current situation with regard to this and the market evaluation at meetings of the Board of Directors), then formulate and disclose our plans.

As part of these efforts, we are analyzing metrics and identifying issues on a by business-segment or by model level, to improve initiatives focused on ROIC metrics toward the realization of business management and operations that take into account capital costs and return on capital.

Furthermore, in order to improve ROS, we will accelerate kaizen and DX initiatives while also engaging in

structural reforms of existing core businesses (selection and centralization, reform of supply chains, reshuffling of production bases, etc.), formulating takeoff strategies for new businesses, investing in growth, and creating intangible assets through investment in human resource and R&D. Each of these shall be disclosed in the form of easy-to-follow growth stories and we will actively work on improving dialogue with our investors.

On “6. Action to Implement Management That is Conscious of Cost of Capital and Stock Price” of the FY2023 Second Quarter Supplementary Briefing Material on Financial Results\*<sup>6</sup>, which was published on November 10, 2023, we provide findings of the current state analysis of our ROE (a perception about the current status and an example action) by breaking it down by such elements as profitability, capital efficiency, and financial soundness. To view the material, please visit the Company’s website.

\*6: Published on the Company’s website:

[https://ssl4.eir-parts.net/doc/6617/ir\\_material\\_for\\_fiscal\\_ym1/144533/00.pdf](https://ssl4.eir-parts.net/doc/6617/ir_material_for_fiscal_ym1/144533/00.pdf) (available in Japanese)

Despite a decline in sales for general plant projects and 3D inspection systems, net sales for the nine months ended December 30, 2023 totaled 72,484 million yen (up 9.4% year on year), mainly due to increases in sales across the entire Metering Business segment and certain power distribution equipment.

On the profit front, as is the case with net sales, a decline in profit for general plant projects and 3D inspection systems was more than offset by an increase in profit across the entire Metering Business segment and certain power distribution equipment. As a result, profit grew on every level, with operating profit reaching 5,320 million yen (up 41.6% year on year), ordinary profit 5,500 million yen (up 40.2% year on year), and profit attributable to owners of parent 3,337 million yen (up 31.0% year on year).

The operating results for each business segment are detailed below.

In the Electric Equipment business segment, net sales for the segment as a whole increased to 40,979 million yen (up 6.7% year on year) due to the increase in sales for certain power distribution equipment. Segment profit increased to 4,563 million yen (up 14.3% year on year) as well.

In the Metering Business segment, net sales for the segment as a whole rose to 22,463 million yen (up 11.7% year on year) due to increases in sales for replacement of expired meters and smart meters, with segment profit increasing to 3,540 million yen (up 80.5% year on year).

In the GX Solution Business segment, net sales for the segment as a whole increased to 6,204 million yen (up 61.9% year on year) due to a recovery process in sales volume for fast chargers from the impact of longer delivery lead times for parts procurement, and an increase in sales related to the data business, which was newly launched. Segment losses narrowed to 174 million yen (compared to segment loss of 640 million yen in the previous fiscal year).

In the Applied Optics Inspection System Business segment, sales of 3D inspection system decreased due to stagnating demand for semiconductors. As a result, net sales for the segment as a whole decreased to 2,106 million yen (down 32.4% year on year) and segment profit also decreased to 445 million yen (down 64.1% 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 731 million yen (down 2.4% year on year) and a contraction of segment profit to 489 million yen (down 1.3% year on year).

## (2) Explanation of Financial Position

Total assets at the end of the third quarter under review increased by 3,059 million yen compared to the end of the previous fiscal year to 109,381 million yen. This was primarily due to increases in cash and deposits and inventories despite a decrease in notes and accounts receivable - trade, and contract assets.

Liabilities decreased by 103 million yen from the end of the previous fiscal year to 47,758 million yen. This was primarily due to increases in short-term borrowings, contract liabilities, and long-term borrowings despite decreases in notes and accounts payable - trade, income taxes payable, accrued consumption taxes, and

accounts payable - other.

Net assets increased by 3,162 million yen from the end of the previous fiscal year to 61,623 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 decreases resulting from dividends paid and purchase of treasury shares.

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

Regarding the full-year consolidated financial results forecast, we have made changes to the consolidated financial results forecast announced on April 26, 2023. For details, please refer to the “Notice of Revisions to Financial Results Forecast for the Fiscal Year Ending March 31, 2024” announced today (January 29, 2024).



## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	10,659	13,388
Notes and accounts receivable - trade, and contract assets	26,024	20,353
Electronically recorded monetary claims - operating	2,016	1,887
Merchandise and finished goods	2,508	2,511
Work in process	15,419	20,183
Raw materials and supplies	7,304	8,324
Other	1,851	2,329
Allowance for doubtful accounts	(4)	(4)
Total current assets	65,780	68,973
Non-current assets		
Property, plant and equipment		
Buildings and structures	33,010	33,137
Accumulated depreciation	(21,998)	(22,505)
Buildings and structures, net	11,012	10,631
Machinery, equipment and vehicles	22,035	22,529
Accumulated depreciation	(19,850)	(20,299)
Machinery, equipment and vehicles, net	2,184	2,230
Tools, furniture and fixtures	11,547	11,731
Accumulated depreciation	(10,822)	(10,948)
Tools, furniture and fixtures, net	725	782
Land	20,490	20,490
Construction in progress	330	308
Total property, plant and equipment	34,742	34,443
Intangible assets		
Other	1,971	1,941
Total intangible assets	1,971	1,941
Investments and other assets		
Investment securities	1,614	1,672
Long-term loans receivable	36	-
Retirement benefit asset	746	854
Deferred tax assets	598	636
Other	832	858
Total investments and other assets	3,828	4,022
Total non-current assets	40,542	40,408
<b>Total assets</b>	<b>106,322</b>	<b>109,381</b>

As of March 31, 2023

As of December 31, 2023

	As of March 31, 2023	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	15,992	14,283
Electronically recorded obligations - operating	65	67
Short-term borrowings	1,990	2,830
Income taxes payable	1,125	468
Contract liabilities	2,346	4,906
Provision for bonuses	2,067	1,137
Other	5,428	3,760
Total current liabilities	29,015	27,454
Non-current liabilities		
Long-term borrowings	1,300	2,800
Deferred tax liabilities	1,175	1,744
Provision for repairs	1,302	1,357
Provision for environmental measures	171	99
Provision for product warranties	1,314	1,000
Provision for share awards for directors (and other officers)	122	112
Retirement benefit liability	12,710	12,439
Other	750	750
Total non-current liabilities	18,847	20,303
Total liabilities	47,862	47,758
Net assets		
Shareholders' equity		
Share capital	8,000	8,000
Capital surplus	7,408	7,408
Retained earnings	38,063	40,589
Treasury shares	(195)	(453)
Total shareholders' equity	53,275	55,544
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	185	280
Deferred gains or losses on hedges	35	33
Foreign currency translation adjustment	397	503
Remeasurements of defined benefit plans	(108)	(11)
Total accumulated other comprehensive income	509	805
Non-controlling interests	4,675	5,273
Total net assets	58,460	61,623
Total liabilities and net assets	106,322	109,381

(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, 2022	For the nine months ended December 31, 2023
Net sales	66,230	72,484
Cost of sales	50,361	54,112
Gross profit	15,869	18,371
Selling, general and administrative expenses	12,110	13,051
Operating profit	3,758	5,320
Non-operating income		
Interest income	1	3
Dividend income	33	25
Foreign exchange gains	116	71
Rental income from facilities	54	55
Sold power	40	25
Compensation received	-	42
Other	68	69
Total non-operating income	314	292
Non-operating expenses		
Interest expenses	22	18
Sold power expenses	21	26
Share of loss of entities accounted for using equity method	81	53
Other	24	14
Total non-operating expenses	150	113
Ordinary profit	3,921	5,500
Extraordinary income		
Gain on sale of non-current assets	4	3
Gain on sale of investment securities	34	-
Total extraordinary income	38	3
Extraordinary losses		
Loss on abandonment of non-current assets	9	15
Office relocation expenses	1	15
Loss on valuation of investment securities	-	67
Total extraordinary losses	10	98
Profit before income taxes	3,949	5,404
Income taxes - current	518	1,034
Income taxes - deferred	502	446
Total income taxes	1,020	1,481
Profit	2,928	3,923
Profit attributable to non-controlling interests	381	586
Profit attributable to owners of parent	2,547	3,337

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	2,928	3,923
Other comprehensive income		
Valuation difference on available-for-sale securities	22	95
Deferred gains or losses on hedges	(24)	(0)
Foreign currency translation adjustment	52	40
Remeasurements of defined benefit plans, net of tax	17	97
Share of other comprehensive income of entities accounted for using equity method	56	74
Total other comprehensive income	124	307
Comprehensive income	3,053	4,230
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,659	3,633
Comprehensive income attributable to non-controlling interests	394	597

(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.

(Segment information, etc.)

[Segment information]

I. For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

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

(Million yen)

	Reportable segment					Others (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	38,416	20,117	3,831	3,116	65,481	—	65,481
Other revenue (Note 2)	—	—	—	—	—	749	749
Net sales to outside customers	38,416	20,117	3,831	3,116	65,481	749	66,230
Inter-segment net sales or transfers	1,014	3,481	657	—	5,153	371	5,525
Total	39,430	23,598	4,489	3,116	70,635	1,120	71,756
Segment profit (loss)	3,992	1,961	(640)	1,239	6,553	496	7,049

(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	6,553
Segment profit of "Other"	496
Elimination of intersegment transactions	44
Corporate expenses (Note)	(3,349)
Other adjustments	13
Operating profit in the quarterly consolidated statements of income	3,758

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

II. 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					Others (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 intersegment 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.