

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]



October 28, 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

Contact: Yasuhiro Munekawa, Executive Officer and General Manager, Finance & Accounting Department

Phone: +81-3-6371-5026

Scheduled date of filing semi-annual securities report: November 13, 2024

Scheduled date of commencing dividend payments: December 2, 2024

Availability of supplementary explanatory materials on financial results: Available

Schedule of financial results briefing session: Scheduled (for analysts)

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

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024 - September 30, 2024)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2024	47,606	8.8	1,961	(12.9)	2,077	(13.7)	1,094	(24.2)
September 30, 2023	43,774	3.6	2,253	(2.1)	2,406	(3.4)	1,442	(11.0)

(Note) Comprehensive income: Six months ended September 30, 2024: ¥1,404 million [(32.0)%]

Six months ended September 30, 2023: ¥2,065 million [5.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	68.21	—
September 30, 2023	89.48	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	109,017	64,113	53.9
As of March 31, 2024	116,627	63,839	49.9

(Reference) Equity: As of September 30, 2024: ¥58,748 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: Yes

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 semi-annual 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):

September 30, 2024: 16,276,305 shares

March 31, 2024: 16,276,305 shares

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

September 30, 2024: 234,117 shares

March 31, 2024: 238,066 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 16,039,836 shares

Six months ended September 30, 2023: 16,125,318 shares

* These semi-annual consolidated financial results reports are outside the scope of review by certified public accountants or an audit firm.

* 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 Semi-annual Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the attachments.

Table of Contents - Attachments

1. Qualitative Information on Semi-annual Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information	4
2. Semi-annual Consolidated Financial Statements and Principal Notes	5
(1) Semi-annual Consolidated Balance Sheets	5
(2) Semi-annual Consolidated Statements of Income and Comprehensive Income	7
(3) Semi-annual Consolidated Statements of Cash Flows	9
(4) Notes to Semi-annual Consolidated Financial Statements	11
(Notes on going concern assumption)	11
(Notes in case of significant changes in shareholders' equity)	11
(Segment information, etc.)	11

1. Qualitative Information on Semi-annual Financial Results

(1) Explanation of Operating Results

Following the announcement of the “Notification of Improper Cases Related to Quality Control” on August 27, 2021, the Company performed the total quality inspection for all products handled by the Company and its subsidiaries (“the Total Quality Inspection”), and sequentially announced new incidents of impropriety that were identified in the course of the process (announced on May 16, 2023, January 22, 2024, and May 14, 2024). On September 19, 2024, the results of the total quality inspection, including incidents of impropriety that had been additionally identified, were announced as the “Results of Total Quality Inspection.”

In January 2024, the Company established an independent investigation and verification committee with no vested interest in the Company (chaired by Kazumine Terawaki) to request 1) investigation on incidents of impropriety regarding extra-high-voltage transformer products, 2) casual analysis and proposal of recurrence prevention measures based on the investigation findings, 3) evaluation and verification of the processes of the comprehensive investigation and other measures taken by the Company, and 4) evaluation and verification of responses by the senior management to incidents of disconnectors. As a result of the investigation pursued by the committee, the Company received an interim report on May 14, 2024 on the above 1) and 2), a supplementary report on September 19, 2024 on the above 4), and a final report on September 19, 2024 on the above 3), and announced all of them.

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 newly formulated reform measures to restore the Company to a position where safety, quality, and compliance (“SQC”) are the highest priorities (“the SQC first reform”) (Announced today), based on recommendations in the respective reports (interim, supplementary, and final reports) received from the investigation and verification committee.

We would like to once again express our deepest apologies to our customers and other stakeholders for any inconvenience and concern for approximately three years and two months after the incidents of impropriety of our gas insulated switchgear were identified in August 2021.

With a strong determination to ensure that such incidents of impropriety will not occur again to regain our stakeholders’ trust, all directors, officers, and employees of the Group will make utmost efforts together to restore and grow the Group by implementing the SQC first reform.

<Related notices>

- | | |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| - August 27, 2021: | Notification of Improper Cases Related to Quality Control |
| - September 8, 2021: | Survey on Improper Cases of our Gas Insulated Switchgear |
| - October 29, 2021: | Recurrence Prevention Measures on Improper Cases of our Gas Insulated Switchgear |
| - November 30, 2021: | Incidents of Impropriety Related to Quality Control Regarding Certain Products of the Company |
| - May 24, 2022: | Results of Comprehensive Investigation Related to Quality Control for Products of the Company |
| - May 16, 2023: | Incidents of Impropriety Regarding Certain Instrument Transformer Products |
| - January 22, 2024: | Notification of Incidents of Impropriety Regarding Extra-high-voltage Transformer Products |
| - May 14, 2024: | Incidents of Impropriety Regarding Certain Instrument Transformer Products |
| - May 14, 2024: | Receipt of Interim Report from Investigation and Verification Committee on Incidents of Impropriety Regarding Extra-high-voltage Transformer Products |
| - September 19, 2024: | Receipt of Supplementary Report and Final Report from Investigation and Verification Committee |
| - September 19, 2024: | Results of Total Quality Inspection |

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 base. Global fuel prices have risen rapidly against backdrop of the situation in Ukraine and competition has further intensified in the retail business amid growing demands for realizing carbon neutrality, ensuring stable electricity supply and strengthening disaster prevention functions and resilience within local communities, and a revenue cap system—a new system for consignment charges. Against this background, companies in the industry are working to improve productivity and thoroughly reduce business costs. Meanwhile in Japan, the government has declared its intention to make Japan carbon neutral by 2050 as part of its efforts to realize a decarbonized society that has encouraged the further spread of decentralized energy-related equipment including renewable energy, and demand is rising for the development of charging infrastructure in preparation for the full-fledged emergence of an EV society.

To respond proactively to this demand for electric vehicle (EV) charging infrastructure, we launched a new brand, naming “SERA”^{*1} for our EV charger series in May 2024.

*1: Published on the Company’s website:

<https://www.tktk.co.jp/ev-quickcharger/> (available in Japanese)

Despite a decline in sales for the Applied Optics Inspection System Business, net sales for the six months ended September 30, 2024 totaled 47,606 million yen (up 8.8% year on year), mainly due to increases in the Metering Business and the GX Solution Business.

On the profit front, operating profit decreased to 1,961 million yen (down 12.9% year on year), ordinary profit decreased to 2,077 million (down 13.7% year on year), and profit attributable to owners of parent decreased to 1,094 million (down 24.2% year on year), mainly due to an increase of R&D expenses.

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 25,064 million yen (up 0.8% year on year) due to increases in sales for general plant projects and extra-high-voltage power receiving and transforming equipment, including disconnectors. This, however, was not enough to cover the decline in overseas construction projects and power distribution equipment, and segment profit decreased to 2,003 million yen (down 15.1% year on year).

In the Metering Business segment, net sales for the segment as a whole rose to 16,555 million yen (up 18.6% year on year) due to increases in sales for smart meters and replacement of expired meters, with segment profit increasing to 2,556 million yen (up 35.9% year on year).

In the GX Solution Business segment, net sales for the segment as a whole increased to 4,616 million yen (up 45.8% year on year) due to an increase in EV chargers sales. Segment loss, however, expanded to 417 million yen (compared to segment loss of 339 million yen in 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 investment restraint in the semiconductor industry. As a result, net sales for the segment as a whole decreased to 879 million yen (down 32.4% year on year) and segment profit also decreased to 99 million yen (down 72.2% year on year).

In the Other Businesses segment, net sales for the segment as a whole increased to 489 million yen (up 0.2% year on year) and segment profit increased to 334 million yen (up 1.7% year on year).

(2) Explanation of Financial Position

At the end of the semi-annual period under review, total assets decreased by 7,609 million yen compared to the end of the previous fiscal year to 109,017 million yen. This was primarily due to decreases in trade receivables and cash and deposits despite an increase in inventories.

Liabilities decreased by 7,883 million yen from the end of the previous fiscal year to 44,904 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 274 million yen from the end of the previous fiscal year to 64,113 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 made changes to the consolidated financial results forecast announced on April 25, 2024 as follows, due to the expectation of an upturn in the financial results thanks to increases in sales for general plant projects, smart meters, and replacement of expired meters.

Revisions to the figures of the consolidated financial results forecast for the fiscal year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

	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
Previously announced forecast (A)	105,000	4,000	4,200	2,500	155.46
Revised forecast (B)	106,000	5,000	5,200	3,200	199.50
Change (B - A)	1,000	1,000	1,000	700	—
Change (%)	1.0	25.0	23.8	28.0	—
(Reference) Results for the previous fiscal year (Fiscal year ended March 31, 2024)	107,378	8,247	8,017	4,668	290.29

2. Semi-annual Consolidated Financial Statements and Principal Notes

(1) Semi-annual Consolidated Balance Sheets

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	15,475	12,869
Notes and accounts receivable - trade, and contract assets	27,749	20,066
Electronically recorded monetary claims - operating	1,976	2,742
Merchandise and finished goods	2,475	2,141
Work in process	17,434	19,053
Raw materials and supplies	7,668	8,070
Other	1,952	1,609
Allowance for doubtful accounts	(46)	(46)
Total current assets	74,687	66,507
Non-current assets		
Property, plant and equipment		
Buildings and structures	33,099	33,308
Accumulated depreciation	(22,667)	(22,992)
Buildings and structures, net	10,432	10,316
Machinery, equipment and vehicles	22,765	23,067
Accumulated depreciation	(20,353)	(20,537)
Machinery, equipment and vehicles, net	2,412	2,530
Tools, furniture and fixtures	11,865	12,060
Accumulated depreciation	(10,971)	(11,189)
Tools, furniture and fixtures, net	894	870
Land	20,490	20,490
Construction in progress	378	1,206
Total property, plant and equipment	34,607	35,414
Intangible assets		
Other	1,943	1,901
Total intangible assets	1,943	1,901
Investments and other assets		
Investment securities	1,372	1,265
Long-term loans receivable	110	106
Retirement benefit asset	1,739	1,777
Deferred tax assets	1,298	1,182
Other	868	862
Allowance for doubtful accounts	(0)	—
Total investments and other assets	5,389	5,194
Total non-current assets	41,940	42,510
Total assets	116,627	109,017

(Million yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	15,451	12,975
Electronically recorded obligations - operating	84	103
Short-term borrowings	2,740	2,160
Income taxes payable	2,323	466
Contract liabilities	3,010	3,372
Provision for bonuses	2,674	2,037
Provision for loss on construction contracts	0	—
Other	5,599	3,735
Total current liabilities	31,884	24,850
Non-current liabilities		
Long-term borrowings	2,800	2,300
Deferred tax liabilities	1,385	1,491
Provision for repairs	1,340	1,378
Provision for environmental measures	93	91
Provision for product warranties	2,090	1,851
Provision for share awards for directors (and other officers)	156	155
Retirement benefit liability	12,285	12,017
Other	751	766
Total non-current liabilities	20,903	20,053
Total liabilities	52,788	44,904
Net assets		
Shareholders' equity		
Share capital	8,000	8,000
Capital surplus	7,408	7,408
Retained earnings	41,920	42,447
Treasury shares	(454)	(445)
Total shareholders' equity	56,874	57,409
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	391	352
Deferred gains or losses on hedges	30	14
Foreign currency translation adjustment	452	519
Remeasurements of defined benefit plans	501	451
Total accumulated other comprehensive income	1,375	1,338
Non-controlling interests	5,588	5,365
Total net assets	63,839	64,113
Total liabilities and net assets	116,627	109,017

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income
Semi-annual Consolidated Statements of Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	43,774	47,606
Cost of sales	32,931	36,183
Gross profit	10,842	11,422
Selling, general and administrative expenses	8,589	9,460
Operating profit	2,253	1,961
Non-operating income		
Interest income	1	2
Dividend income	18	22
Foreign exchange gains	59	41
Rental income from facilities	37	38
Sold power	16	33
Compensation received	42	—
Other	38	29
Total non-operating income	214	167
Non-operating expenses		
Interest expenses	11	25
Sold power expenses	10	11
Share of loss of entities accounted for using equity method	33	5
Other	5	8
Total non-operating expenses	60	51
Ordinary profit	2,406	2,077
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	13	29
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	—	25
Total extraordinary losses	96	76
Profit before income taxes	2,313	2,093
Income taxes - current	455	404
Income taxes - deferred	119	267
Total income taxes	575	672
Profit	1,737	1,420
Profit attributable to non-controlling interests	294	326
Profit attributable to owners of parent	1,442	1,094

Semi-annual Consolidated Statements of Comprehensive Income

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Profit	1,737	1,420
Other comprehensive income		
Valuation difference on available-for-sale securities	99	(38)
Deferred gains or losses on hedges	55	(15)
Foreign currency translation adjustment	22	79
Remeasurements of defined benefit plans, net of tax	74	(50)
Share of other comprehensive income of entities accounted for using equity method	76	8
Total other comprehensive income	328	(16)
Comprehensive income	2,065	1,404
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,746	1,056
Comprehensive income attributable to non-controlling interests	319	347

(3) Semi-annual Consolidated Statements of Cash Flows

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,313	2,093
Depreciation	1,148	1,185
Share of loss (profit) of entities accounted for using equity method	33	5
Loss on abandonment of non-current assets	13	29
Loss (gain) on sale of non-current assets	(3)	(1)
Loss (gain) on valuation of investment securities	67	—
Loss (gain) on sale of investment securities	—	(66)
Increase (decrease) in allowance for doubtful accounts	—	(0)
Interest and dividend income	(20)	(24)
Interest expenses	11	25
Decrease (increase) in trade receivables	9,268	7,013
Decrease (increase) in inventories	(5,331)	(1,663)
Increase (decrease) in trade payables	(2,427)	(2,500)
Increase (decrease) in accrued consumption taxes	(808)	(655)
Increase (decrease) in contract liabilities	896	362
Increase (decrease) in provision for bonuses	(57)	(637)
Increase (decrease) in provision for loss on construction contracts	—	(0)
Increase (decrease) in provision for product warranties	(267)	(238)
Increase (decrease) in provision for repairs	45	38
Increase (decrease) in provision for environmental measures	(0)	(2)
Increase (decrease) in provision for share awards for directors (and other officers)	(2)	(0)
Loss (gain) on sale of shares of subsidiaries and associates	—	(24)
Loss (gain) on sales of investments in capital of subsidiaries and associates	—	22
Increase (decrease) in retirement benefit liability	(89)	(339)
Decrease (increase) in retirement benefit asset	(69)	(38)
Other, net	(1,202)	(870)
Subtotal	3,516	3,708
Interest and dividends received	51	73
Interest paid	(12)	(27)
Income taxes refund (paid)	(1,032)	(2,185)
Expenditure related to subsidiary support	—	(197)
Net cash provided by (used in) operating activities	2,522	1,369
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,349)	(2,006)
Proceeds from sale of property, plant and equipment and intangible assets	5	5
Proceeds from sale of investment securities	—	68
Proceeds from sale of shares of subsidiaries and associates	—	30
Loan advances	(128)	—
Proceeds from collection of loans receivable	—	102
Other, net	—	9
Net cash provided by (used in) investing activities	(1,473)	(1,789)

(Million yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	140	(330)
Repayments of long-term borrowings	(450)	(750)
Dividends paid	(405)	(566)
Dividends paid to non-controlling interests	—	(570)
Other, net	(263)	8
Net cash provided by (used in) financing activities	(978)	(2,209)
Effect of exchange rate change on cash and cash equivalents	3	23
Net increase (decrease) in cash and cash equivalents	74	(2,605)
Cash and cash equivalents at beginning of period	10,659	15,475
Cash and cash equivalents at end of period	10,734	12,869

(4) Notes to Semi-annual 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 six months ended September 30, 2023 (from April 1, 2023 to September 30, 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	24,863	13,954	3,166	1,302	43,285	—	43,285
Other revenue (Note 2)	—	—	—	—	—	488	488
Net sales to outside customers	24,863	13,954	3,166	1,302	43,285	488	43,774
Inter-segment net sales or transfers	804	2,432	503	—	3,739	249	3,989
Total	25,667	16,386	3,669	1,302	47,025	738	47,764
Segment profit (loss)	2,358	1,880	(339)	357	4,257	329	4,587

(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 semi-annual consolidated statements of income and main details (Description of adjustments)

(Million yen)

Profit	Amount
Total segment profit of reportable segments	4,257
Segment profit of "Other"	329
Elimination of intersegment transactions	23
Corporate expenses (Note)	(2,363)
Other adjustments	5
Operating profit in the semi-annual consolidated statements of income	2,253

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

II. For the six months ended September 30, 2024 (from April 1, 2024 to September 30, 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	25,064	16,555	4,616	879	47,116	—	47,116
Other revenue (Note 2)	—	—	—	—	—	489	489
Net sales to outside customers	25,064	16,555	4,616	879	47,116	489	47,606
Inter-segment net sales or transfers	713	2,842	529	—	4,085	260	4,345
Total	25,777	19,398	5,145	879	51,202	749	51,951
Segment profit (loss)	2,003	2,556	(417)	99	4,241	334	4,576

(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 semi-annual consolidated statements of income and main details (Description of adjustments)

(Million yen)

Profit	Amount
Total segment profit of reportable segments	4,241
Segment profit of “Other”	334
Elimination of intersegment transactions	26
Corporate expenses (Note)	(2,650)
Other adjustments	9
Operating profit in the semi-annual consolidated statements of income	1,961

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