



Takaoka Toko Group

FY2024 (Fiscal year ended on March 31, 2025)  
Supplementary Briefing Material on  
Financial Results

May 23, 2025



Seamless Energy Relations  
& Activation

TSE Prime Market (6617)

Takashi Ichinose

President and Representative Director



株式会社 東光高岳  
TAKAOKA TOKO CO., LTD.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

## Financial Results Overview for the Fiscal Year Ended on March 31, 2025

1. FY2024 Business Results/Business Portfolio <YoY Analysis>
2. FY2024 Performance of Business Segments <YoY Analysis>
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4. FY2024 Investment Performance (Capital Investments, Research & Development) <YoY Analysis>
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6. FY2025 Investment Plans (Capital Investments, Research & Development) <YoY Analysis>

# 1. FY2024 Business Results

## <YoY Analysis>



- Consolidated net sales were **106,624 million yen, down 0.7% YoY**, mainly due to decreases in sales across Electric Equipment Business segment (Impact of suspension from bidding participation due to inappropriate incidents) and Applied Optics Inspection System Business segment, despite increases in sales for Metering Business segment and GX Solution Business segment.
- In terms of profit, due to the decrease in sales of the above-mentioned electric equipment business segment and applied optical inspection system businesses segment, coupled with the increased burden of research and development expenses, operating profit was 6,094 million yen (YoY decrease of 26.1%), operating income was 6,302 million yen (YoY decrease of 21.4%), and net income attributable to parent company shareholders was 3,824 million yen (YoY decrease of 18.1%), all resulting in profit declines.
- The impact on income and expenditure due to inappropriate incidents (such as increased costs related to investigation measures and suspension of bid participation for some products) includes a decrease in sales revenue by 3 billion 400 million yen and a decrease in operating profit by 2 billion 500 million yen.

(In millions of yen)

	FY2024 Actual (A)	FY2023 Actual (B)	Increase (A)-(B)	YoY
Net sales*	<b>106,624</b>	107,378	(754)	(0.7%)
Operating income	<b>6,094</b>	8,247	(2,152)	(26.1%)
Ordinary income	<b>6,302</b>	8,017	(1,714)	(21.4%)
Profit attributable to owners of parent	<b>3,824</b>	4,668	(844)	(18.1%)
*Of which, net sales related to TEPCO Power Grid Inc.	<b>44,969</b>	45,660	(691)	(1.5%)
Net sales composition of TEPCO Power Grid Inc.	<b>42.2%</b>	42.5%	(0.3%)	(0.8%)
Orders received	<b>106,312</b>	114,417	(8,105)	(7.1%)

# 1. FY2024 Business Results

## Business Portfolio (FY2024 Net Sales)



### Applied Optics Inspection System Business Segment

Applied optic inspection system (3D inspection systems)

**2%** (3%)

Other Businesses

**1%** (1%)

Real estate leasing

### GX Solution Business Segment

**10%** (10%)

EMS-related products (automated metering system for apartment houses/tenants, automatic environmental control system to save electricity and energy for lighting and air conditioning), charging infrastructure (quick charger for electronic vehicles, V2H), smart grid-& proposal-related business, etc.

[Consolidated subsidiary]  
MintWave Co., Ltd.

Power plant equipment (high voltage transformer, switching equipment, control equipment), power distribution equipment (switches, pole-mounted transformers), power systems, disconnectors, construction for receiving substations, etc.

[Consolidated subsidiaries]  
TAKAOKA ENGINEERING CO., LTD  
TAKAOKA CHEMICAL CO., LTD.  
Toko Kizai Corporation

### Metering Business Segment

**31%** (28%)

Smart meters  
Voltage transformers for metering  
General-purpose transformers  
Electricity meter replacement work etc.

[Consolidated subsidiaries]  
WATT LINE SERVICE Co., Ltd.  
Toko Electric (Suzhou) Co., Ltd.  
Toshiba Toko Meter Systems Co., Ltd.

FY2024 Net sales  
Segment composition  
**106,600**  
(107,400)

### Electric Equipment Business Segment

**56%** (58%)

(In millions of yen)

The number in () is FY2023 sales and composition ratio.

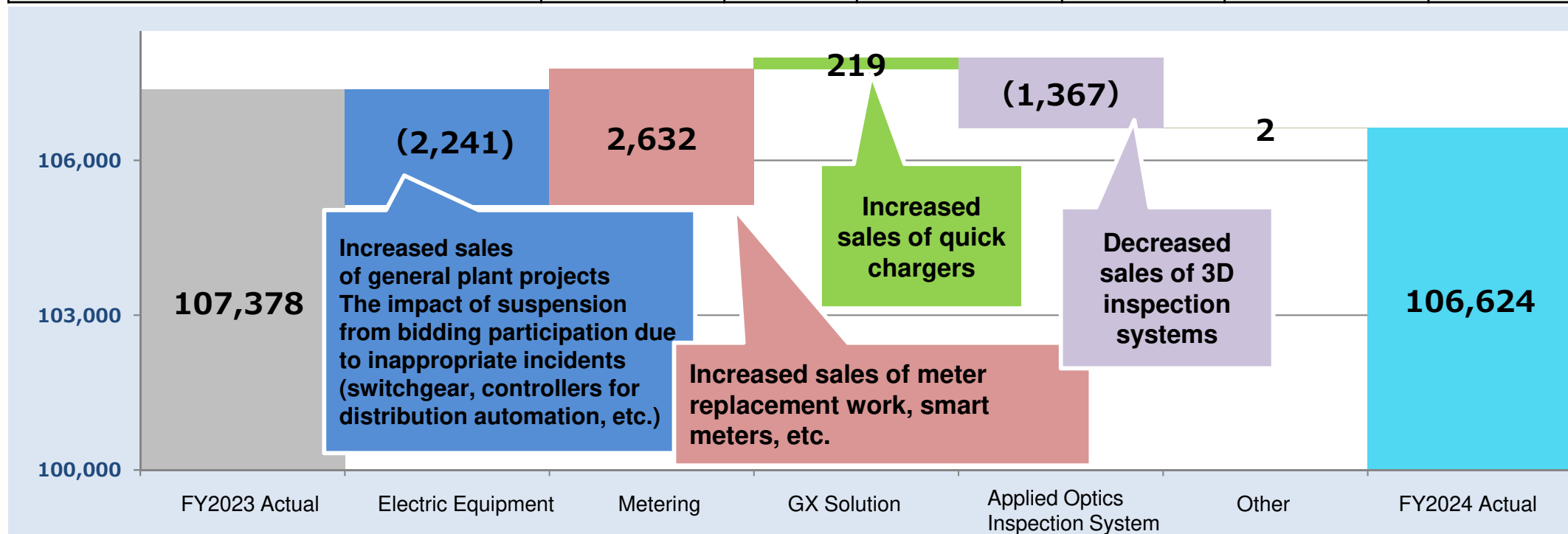
# 1. FY2024 Business Results: Net sales <YoY Analysis>



[Net sales by segment]

(In millions of yen)

Segment		FY2024		FY2023		YoY	
		Amount (A)	Ratio	Amount (B)	Ratio	Change (A)-(B)	Percent change
	Electric Equipment Business	59,878	56.1%	62,120	57.9%	(2,241)	(3.6%)
	Metering Business	33,234	31.2%	30,601	28.5%	+2,632	+8.6%
	GX Solution Business	10,553	9.9%	10,334	9.6%	+219	+2.1%
	Applied Optics Inspection System Business	1,979	1.9%	3,346	3.1%	(1,367)	(40.9%)
	Other (real estate leasing)	978	0.9%	975	0.9%	+2	+0.3%
Net sales by segment: Total		106,624	—	107,378	—	(754)	(0.7%)





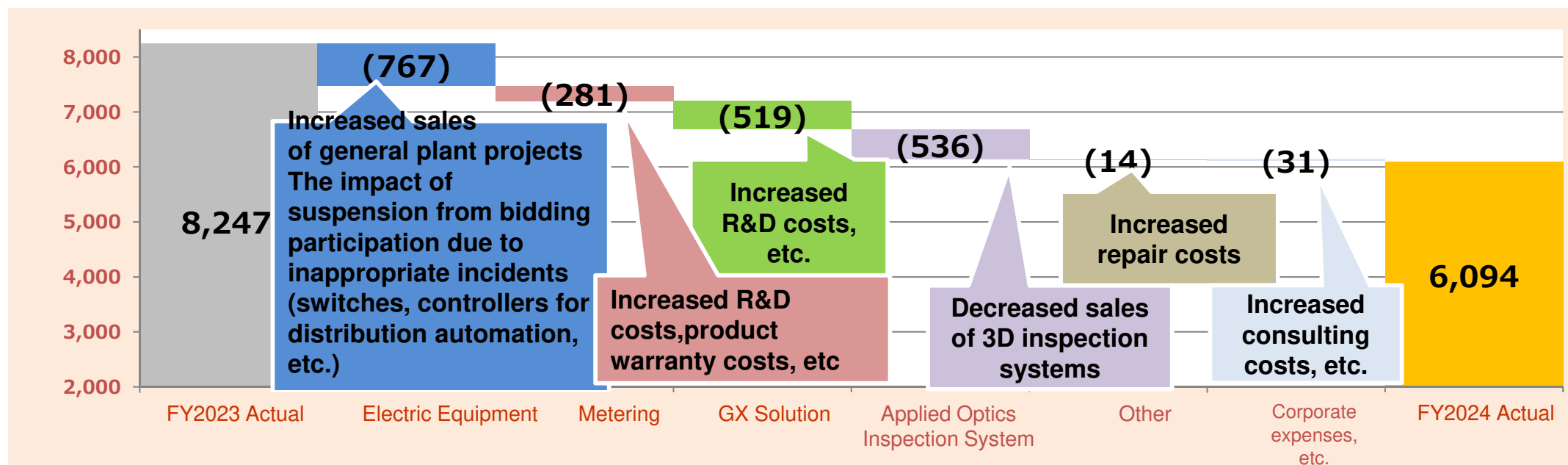
# 1. FY2024 Business Results: Income <YoY Analysis>



## [Income by segment]

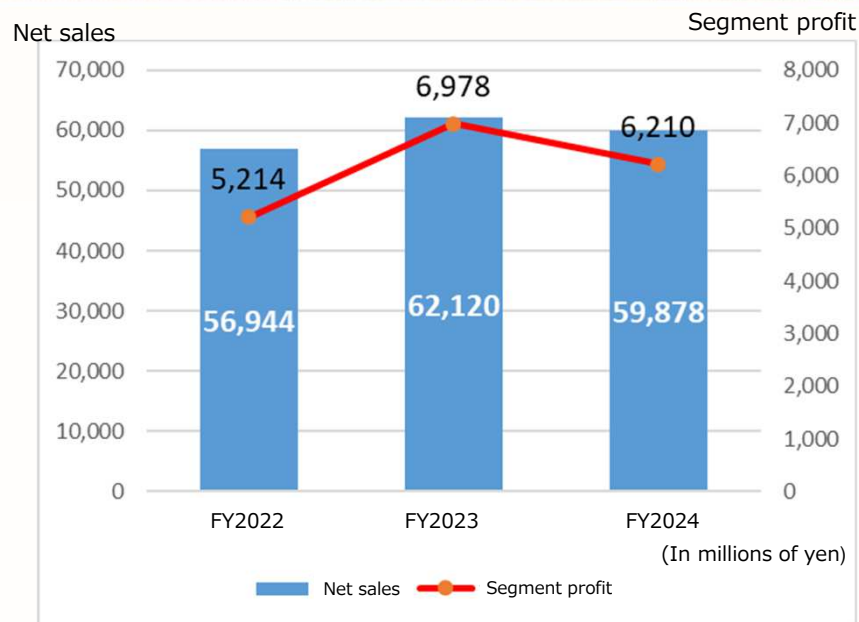
(In millions of yen)

Segment		FY2024		FY2023		YoY	
		Amount (A)	Profit margin	Amount (B)	Profit margin	Change (A)-(B)	Percent change
	Electric Equipment Business	6,210	+10.4%	6,978	+11.2%	(767)	(11.0%)
	Metering Business	4,378	+13.2%	4,659	+15.2%	(281)	(6.0%)
	GX Solution Business	(206)	(2.0%)	313	+3.0%	(519)	(166.1%)
	Applied Optics Inspection System Business	238	+12.1%	775	+23.2%	(536)	(69.2%)
	Other (real estate leasing)	633	+64.8%	648	+66.5%	(14)	(2.3%)
<b>Income by segment: Total</b>		<b>11,254</b>	<b>+10.6%</b>	<b>13,375</b>	<b>+12.5%</b>	<b>(2,121)</b>	<b>(15.9%)</b>
Corporate expenses, etc. (incl. consolidated adjustments)		(5,160)	—	(5,128)	—	(31)	—
Operating income		<b>6,094</b>	<b>+5.7%</b>	<b>8,247</b>	<b>+7.7%</b>	<b>(2,152)</b>	<b>(26.1%)</b>



## 2. Performance of Business Segments

### <YoY Analysis>

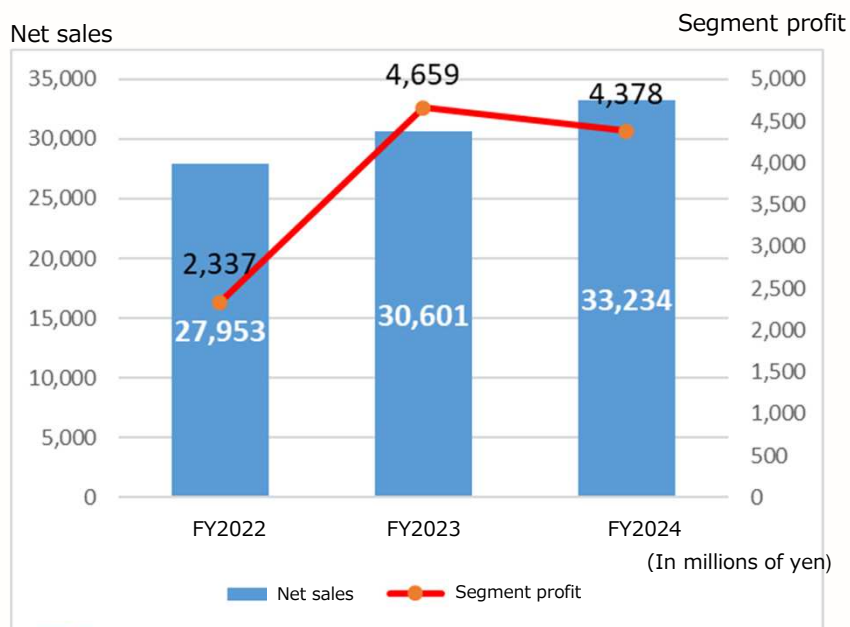


### Electric Equipment Business Segment

(In millions of yen)

	FY2024 Actual (A)	FY2023 Actual (B)	Increase (A) – (B)	YoY (%)
Net sales	59,878	62,120	(2,241)	(3.6%)
Segment profit	6,210	6,978	(767)	(11.0%)

Net sales	[Reason behind increase]	General plant projects and regional power disconnectors		
	[Reason behind decrease]	Impact of bid participation suspension due to inappropriate incidents (switches, controllers for distribution automation, etc.) ,overseas construction projects and pole-mounted transformers		
Profit	[Reason behind increase]	Increased sales of general plant projects and regional power disconnectors		
	[Reason behind decrease]	Impact of bid participation suspension due to inappropriate incidents (switches, controllers for distribution automation, etc.) Decreased sales of overseas construction projects and pole-mounted transformers		



### Metering Business Segment

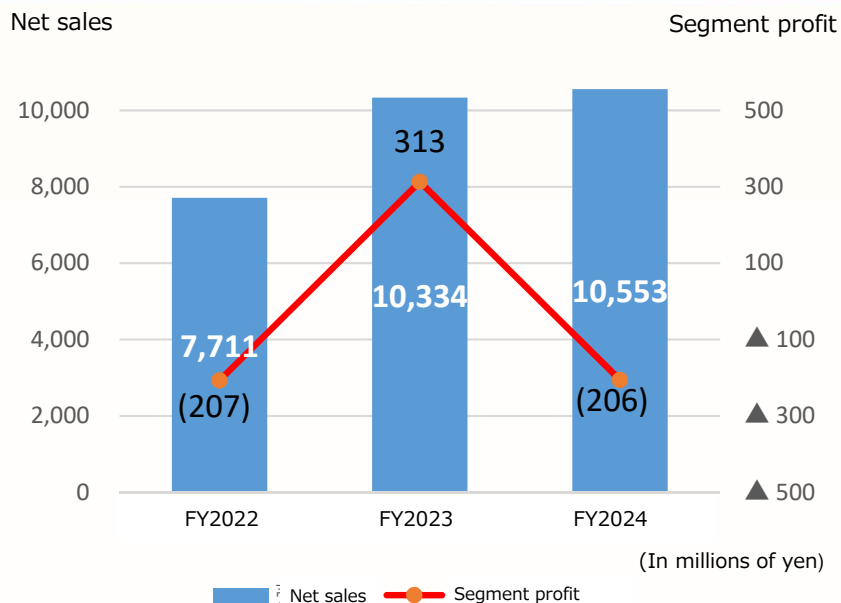
(In millions of yen)

	FY2024 Actual (A)	FY2023 Actual (B)	Increase (A) – (B)	YoY (%)
Net sales	33,234	30,601	+2,632	+8.6%
Segment profit	4,378	4,659	(281)	(6.0%)

Net sales	[Reason behind increase]	Electric meter replacement work, smart meters, and instrument transformers		
	[Reason behind decrease]	—		
Profit	[Reason behind increase]	Increased sales of electric meter replacement work, smart meters, and instrument transformers		
	[Reason behind decrease]	Increased R&D costs,product warranty costs,etc.		



## 2. Performance of Business Segments <YoY Analysis>

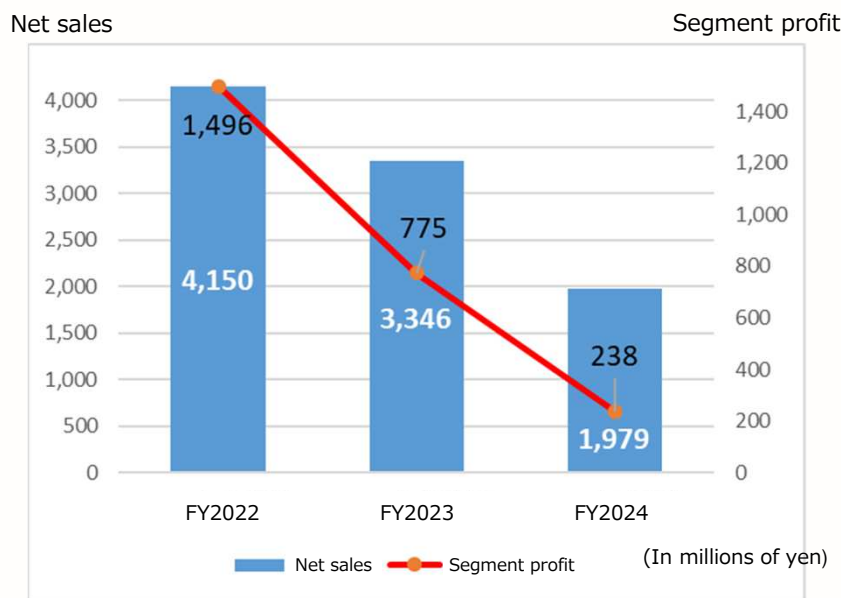


### GX Solution Business Segment

(In millions of yen)

	FY2024 Actual (A)	FY2023 Actual (B)	Increase (A) – (B)	YoY (%)
Net sales	10,553	10,334	+219	+2.1%
Segment profit	(206)	313	(519)	(166.1%)

Net sales	[Reason behind increase] Quick chargers, EMS-related business [Reason behind decrease] PPP/PFI
Profit	[Reason behind increase] Increased sales of quick chargers and EMS-related products [Reason behind decrease] Decreased sales of PPP/PFI, Increased R&D costs



### Applied Optics Inspection System Business Segment

(In millions of yen)

	FY2024 Actual (A)	FY2023 Actual (B)	Increase (A) – (B)	YoY (%)
Net sales	1,979	3,346	(1,367)	(40.9%)
Segment profit	238	775	(536)	(69.2%)

Net sales	[Reason behind increase] – [Reason behind decrease] 3D inspection systems
Profit	[Reason behind increase] – [Reason behind decrease] Decreased sales of 3D inspection systems





# 3. FY2024 Business Results

<Comparison with Forecast (Disclosed on October 28, 2024)>



**Both net sales and profit increased**, driven by smart meters and others in the Metering Business and power substation equipment for general plant projects despite decreased sales of 3D inspection systems

(In millions of yen)

		FY2024 Actual (A)	FY2024 Forecast (B)	Increase (A)-(B)	Compared to budget
<b>Net sales*</b>		<b>106,624</b>	<b>106,000</b>	<b>+624</b>	<b>+0.6%</b>
Breakdown	Electric Equipment Business	59,878	59,492	+386	+0.6%
	Metering Business	33,234	32,818	+416	+1.3%
	GX Solution Business	10,553	10,612	(59)	(0.6%)
	Applied Optics Inspection System Business	1,979	2,100	(121)	( 5.8%)
	Other (Real estate leasing)	978	978	(0)	(0.0%)
<b>Operating income</b>		<b>6,094</b>	<b>5,000</b>	<b>+1,094</b>	<b>+21.9%</b>
Breakdown	Electric Equipment Business	6,210	5,734	+476	+8.3%
	Metering Business	4,378	4,226	+152	+3.6%
	GX Solution Business	(206)	(318)	+112	(35.3%)
	Applied Optics Inspection System Business	238	230	+8	+3.5%
	Other (Real estate leasing)	633	611	+22	+3.5%
	Corporate expenses, etc.	(5,160)	(5,483)	+323	(5.9%)
<b>Ordinary income</b>		<b>6,302</b>	<b>5,200</b>	<b>+1,102</b>	<b>+21.2%</b>
<b>Profit attributable to owners of parent</b>		<b>3,824</b>	<b>3,200</b>	<b>+624</b>	<b>+19.5%</b>
*Of which, net sales related to TEPCO Power Grid Inc.		<b>44,969</b>	<b>45,660</b>	(691)	(1.5%)
Net sales composition of TEPCO Power Grid Inc.		<b>42.2%</b>	<b>43.1%</b>	(0.9%)	—



# 4. FY2024 Investment Performance (Capital Investments, Research & Development)



## Capital investments

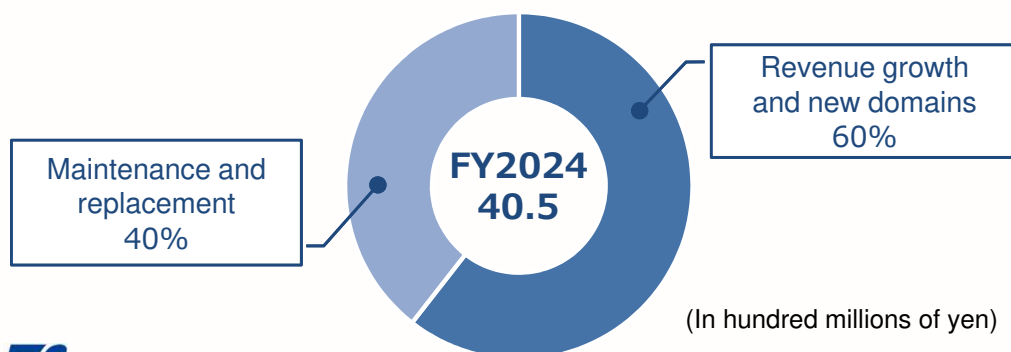
(In hundred millions of yen)

	<b>FY2024 Actual (A)</b>	FY2023 Actual (B)	Increase (A-B)
Revenue growth and new domains	<b>24.5</b>	12.0	+ 12.5
Maintenance and replacement	<b>16.0</b>	12.4	+ 3.6
Total	<b>40.5</b>	24.5	+ 16.0

### Type

### Details

Revenue growth and new domains	<ul style="list-style-type: none"> <li>Production facilities of next-generation smart meters</li> </ul>
//	<ul style="list-style-type: none"> <li>Building facilities for DSO system development</li> </ul>
Maintenance and replacement	<ul style="list-style-type: none"> <li>Seismic retrofitting of Oyama Plant</li> </ul>
//	<ul style="list-style-type: none"> <li>Updating of testing equipment for trace PCB devices</li> </ul>



## Research & Development

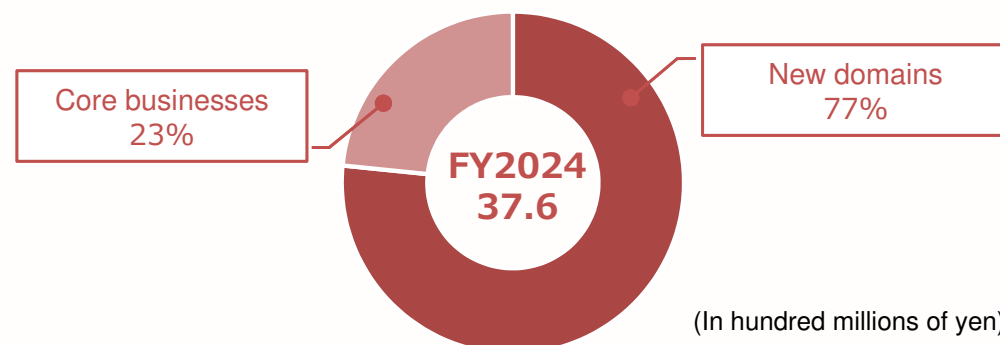
(In hundred millions of yen)

	<b>FY2024 Actual (A)</b>	FY2023 Actual (B)	Increase (A-B)
New domains	<b>28.8</b>	22.4	+ 6.4
Core businesses	<b>8.8</b>	10.0	(1.2)
Total	<b>37.6</b>	32.4	+ 5.2

### Type

### Details

New domains	<ul style="list-style-type: none"> <li>Development of next-generation smart meters</li> </ul>
//	<ul style="list-style-type: none"> <li>Development of new type of quick chargers for EVs</li> </ul>
//	<ul style="list-style-type: none"> <li>Development of system equipment for digital substations</li> </ul>
//	<ul style="list-style-type: none"> <li>Development of internal sensor-equipped voltage regulator</li> </ul>



# 5. FY2025 Business Forecast



As for the future earnings forecast, In the current consolidation accounting fiscal year FY2024, the suspension from participating in bids for distribution equipment (such as pole-mounted switches and controllers for distribution automation) due to a series of inappropriate incidents has been lifted. However, for some substation equipment products with long lead times exceeding one year (such as extra-high-voltage transformers), we anticipate the impact of missed bidding opportunities before the suspension was lifted in the next consolidation accounting fiscal year FY2025.

Also, considering the investment plans of our largest customer, the Tokyo Electric Power Group, which accounts for about 40% of our consolidated sales revenue, we anticipate the impact on the order volume of our delivered items and project a slight increase in sales revenue for FY2025, with projected profits at each stage expected to remain almost flat compared to FY2024.

In FY2024, we expect net sales of 108,000 million yen, operating income of 6,200 million yen, ordinary income of 6,300 million yen, and profit attributable to owners of parent of 3,900 million yen.

(In millions of yen)

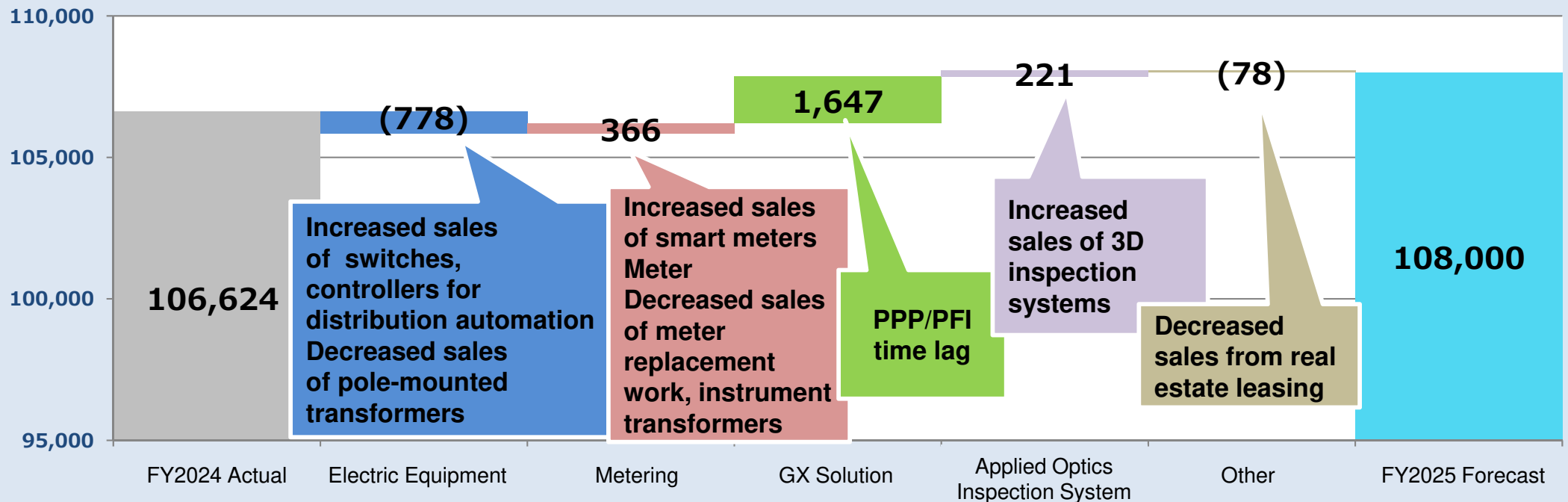
	FY2025 Forecast (A)	FY2024 Actual (B)	Increase (A)-(B)	YoY
Net sales*	108,000	106,624	+1,376	+1.3%
Operating income	6,200	6,094	+106	+1.7%
Ordinary income	6,300	6,302	(2)	(0.0%)
Profit attributable to owners of parent	3,900	3,824	+76	+2.0%
*Of which, net sales related to TEPCO Power Grid	43,500	44,969	(1,469)	(3.3%)
Net sales composition of TEPCO Power Grid	40.3%	42.2%	(1.9%)	(4.5%)
Orders received	109,700	106,312	+ 3,388	+ 3.2%

# 5. FY2025 Business Forecast: Net Sales

## 【Net sales by segment】

(In millions of yen)

Segment		FY2025		FY2024		YoY	
		Amount (A)	Ratio	Amount (B)	Ratio	Increase (A)-(B)	Percent change
	Electric Equipment Business	59,100	54.8%	59,878	56.1%	(778)	(1.3%)
	Metering Business	33,600	31.1%	33,234	31.2%	+366	+1.1%
	GX Solution Business	12,200	11.3%	10,553	9.9%	+1,647	+15.6%
	Applied Optics Inspection System Business	2,200	2.0%	1,979	1.9%	+221	+11.2%
	Other (real estate leasing)	900	0.8%	978	0.9%	(78)	(8.0%)
Net sales by segment: Total		108,000	—	106,624	—	+1,376	+1.3%

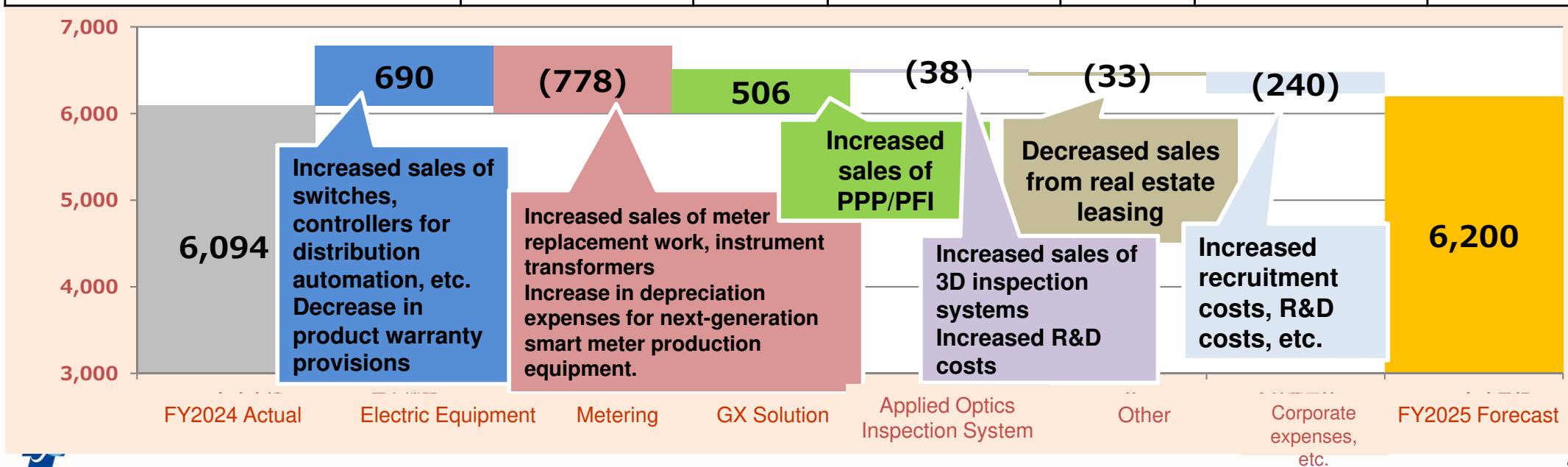


# 5. FY2025 Business Forecast: Income

## 【Income by segment】

(In millions of yen)

Segment		FY2025		FY2024		YoY	
		Amount (A)	Ratio	Amount (B)	Ratio	Increase (A)-(B)	Percent change
	Electric Equipment Business	6,900	+11.7%	6,210	+10.4%	+ 690	+ 11.1%
	Metering Business	3,600	+10.7%	4,378	+13.2%	(778)	(17.8%)
	GX Solution Business	300	+2.5%	(206)	(2.0%)	+ 506	—
	Applied Optics Inspection System Business	200	+9.1%	238	+12.1%	(38)	(16.0%)
	Other (real estate leasing)	600	+66.7%	633	+64.8%	(33)	(5.2%)
Income by segment: Total		11,600	+10.7%	11,254	+10.6%	+ 346	+ 3.1%
Corporate expenses, etc. (incl. consolidated adjustments)		(5,400)	—	(5,160)	—	(240)	—
Operating income		6,200	+5.7%	6,094	+5.7%	+ 106	+ 1.7%





# 6. FY2025 Investment Plans (Capital Investments, Research & Development)



## Capital investments

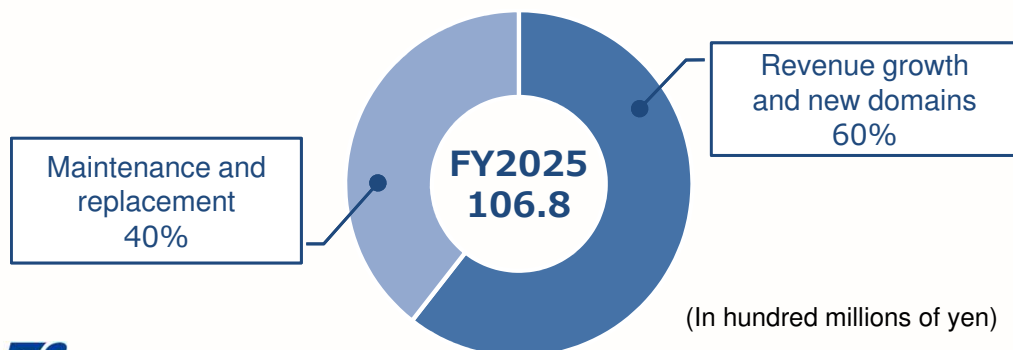
(In hundred millions of yen)

	<b>FY2025 Plan (A)</b>	FY2024 Actual (B)	Increase (A-B)
Revenue growth and new domains	<b>64.6</b>	24.5	+40.1
Maintenance and replacement	<b>42.2</b>	16.0	+26.2
Total	<b>106.8</b>	40.5	+66.3

### Type

### Details

Revenue growth and new domains	<ul style="list-style-type: none"> <li>Production facilities of next-generation smart meters</li> </ul>
//	<ul style="list-style-type: none"> <li>Construction of a factory for oil and gas-insulated measuring instrument transformers</li> </ul>
Maintenance and replacement	<ul style="list-style-type: none"> <li>Consolidation of manufacturing bases for high-voltage equipment</li> </ul>
//	<ul style="list-style-type: none"> <li>Seismic retrofitting of Oyama Plant</li> </ul>



## Research & Development

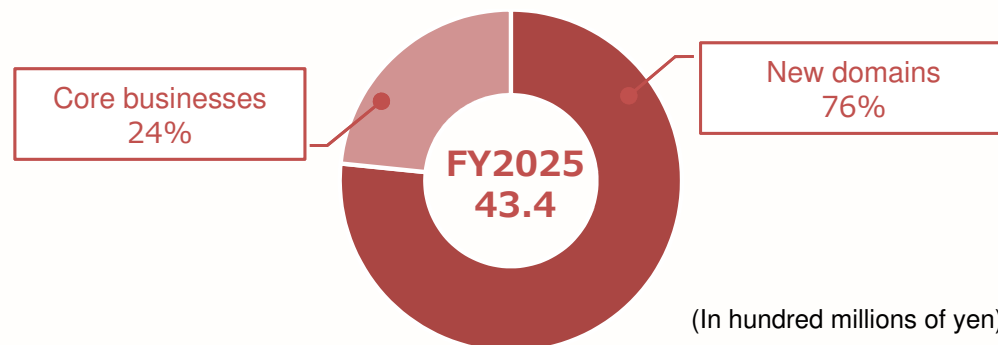
(In hundred millions of yen)

	<b>FY2025 Plan (A)</b>	FY2024 Actual (B)	Increase (A-B)
New domains	<b>32.9</b>	28.8	+4.1
Core businesses	<b>10.5</b>	8.8	+1.7
Total	<b>43.4</b>	37.6	+5.8

### Type

### Details

New domains	<ul style="list-style-type: none"> <li>Development of next-generation smart meters</li> </ul>
//	<ul style="list-style-type: none"> <li>Development of new type of quick chargers for EVs</li> </ul>
//	<ul style="list-style-type: none"> <li>Development of internal sensor-equipped voltage regulator</li> </ul>
Core businesses	<ul style="list-style-type: none"> <li>Development of a sensor for detecting people</li> </ul>





# TAKAOKA TOKO Group Medium-term Management Plan 2027

April 25, 2025



株式会社 東光高岳  
TAKAOKA TOKO CO., LTD.

## I. Review of Business Activities

1. Consolidated business results
2. Business results by key segment
3. Revelation of inappropriate incidents and SQC First Reform\*
4. Action plans for SQC First Reform

## II. Establishment of New Management Philosophy

1. TAKAOKA TOKO Group New Management Philosophy
2. Purpose (our reasons for existence)
3. Vision (our desirable future)
4. Credo (our beliefs and values)

## III. Medium-term Management Plan 2027

1. Changes in internal and external environment
2. Positioning of Medium-term Management Plan 2027
3. Basic policies
4. Target consolidated business performance
5. Future vision of business segments
6. Main priority measures in key segments  
[Measure 1] Revitalization and growth in extra-high-voltage power reception and substation equipment business  
[Measure 2] Consolidation of dispersed production sites and expansion of instrument transformer plant  
[Measure 3] Next-generation smart meters-related businesses  
[Measure 4] EV infrastructure businesses  
[Measure 5] Semiconductor inspection business
7. Strengthening of the Group governance
8. Value enhancement of human capital
9. DX strategies
10. Financial strategies
11. Connection between materiality and Medium-term Management Plan 2027

## IV. Action to Implement Management that is Conscious of Cost of Capital and Stock Price

1. Analysis of current situation
2. Initiatives for improvement of PBR

\*Reform measures to revitalize the Company with a priority on safety (S), quality (Q), and compliance (C)

# **I. Review of Business Activities**

## **II. Establishment of New Management**

### **Philosophy**


## **III. Medium-term Management Plan 2027**


## **IV. Action to implement management that is conscious of cost of capital and stock price**

# 1. Consolidated business results

- During the period of the previous Medium-term Management Plan (FY2021 to FY2023), net sales and profits grew, and ROE improved along with improved operating profit ratio, achieving more than 8% in FY2023.
- On the other hand, in FY2024, both net sales and profits declined YoY due to the impact of inappropriate incidents (the costs of dealing with customers, loss of sales opportunities, and other factors).

Billions of yen (Amounts are rounded down to the nearest billion yen)	Medium-term Management Plan 2023				One-year plan	
	2021 Results	2022 Results	2023 Results	2023 Plan*1	2024 Results	2024 Forecast*2
<b>Consolidated net sales</b>	91.9	97.7	107.3	95.0	106.6	106.0
<b>Consolidated operating profit</b>	4.6	4.8	8.2	5.0	6.0	5.0
<i>Consolidated operating profit ratio (%)</i>	5.0	5.0	7.7	5.3	5.7	4.7
<b>Profit attributable to owners of parent</b>	3.2	2.9	4.6	3.5	3.8	3.2
<i>ROE (%) *3</i>	6.5	5.5	8.3	6.4	6.4	5.4
<i>ROA (%) *4</i>	3.3	2.8	4.2	3.4	3.3	2.7

<b>Outcomes</b> 	<ul style="list-style-type: none"> <li>Sales for the metering products, particularly smart meters, grew.</li> </ul>
	<ul style="list-style-type: none"> <li>Strategic price revisions and withdrawing from unprofitable products led to improved profitability centered on core businesses.</li> </ul>
	<ul style="list-style-type: none"> <li>Productivity improved with advances in DX and enhancements in ongoing kaizen activities.</li> </ul>

<b>Challenges</b> 	<ul style="list-style-type: none"> <li>A large loss was recorded regarding inappropriate incidents of product quality. Reforms are underway, as well as the development of quality enhancement measures.</li> </ul>
	<ul style="list-style-type: none"> <li>There are delays in various measures for reforms of business foundations such as the reorganization of production bases and alliances.</li> </ul>
	<ul style="list-style-type: none"> <li>Delays in the selection and concentration of businesses resulting in dispersed resources, and ROE lagged behind the industry.</li> </ul>

## Basic policies of the previous Medium-term Management Plan 2023



(Reference) April 25, 2024 "Notice on the delay in formulation and announcement of the next mid-term management plan"

Due to repeated inappropriate incidents, our group has postponed the formulation and announcement of the mid-term management plan, which was scheduled to start from the fiscal year ended March 31, 2025 (FY2024), by one year.

\*1 Figures from "Notice of Amendment of Medium-term Management Plan" of April 27, 2022





\*3 Profit attributable to owners of parent ÷ Equity (average of term-beginning and term-end figures)

\*2 October 28, 2024, "FY2025 Q2 (Interim) earnings report (consolidation)"

\*4 Profit attributable to owners of parent ÷ Net assets (average of term-beginning and term-end figures)



## 2. Business results by key segment

Business results by segment Billions of yen (Amounts are rounded down to the nearest billion yen)						Review	Trend
Electric Equipment Business	2021	2022	2023	2024		<ul style="list-style-type: none"> <li>Orders and sales for substation equipment related to factories and renewable energy were strong.</li> <li>Profitability was improved, driven by the continued success of kaizen activities and strategic approach of avoiding orders for unprofitable models and ensuring appropriate profit margins for each project.</li> <li>Net sales declined due to the suspension from participating in bids for distribution equipment (such as pole-mounted switches and controllers for distribution automation) following inappropriate incidents (FY2024: impact of approximately 3.4 billion yen)</li> </ul>	
	Net sales	57.6	56.9	62.1	59.8		
	Profit	6.3	5.2	6.9	6.2		
	(%)	11.0	9.2	11.2	10.4		
Metering Business	2021	2022	2023	2024		<ul style="list-style-type: none"> <li>Sales volume of smart meters, instrument transformers, meter replacement work, including supervision services, steadily grew.</li> <li>WATT LINE SERVICE, our consolidated subsidiary, steadily contributed to the profit, centered on the transportation business.</li> <li>Profitability was improved, driven by the continued success of kaizen activities and strategic approach of avoiding orders for unprofitable models and ensuring appropriate profit margins for each project.</li> </ul>	
	Net sales	24.2	27.9	30.6	33.2		
	Profit	1.7	2.3	4.6	4.3		
	(%)	7.1	8.4	15.2	13.2		
GX Solution Business	2021	2022	2023	2024		<ul style="list-style-type: none"> <li>Net sales steadily grew driven by quick chargers for EVs, the data business, and PPP/PFI.</li> <li>MintWave, our consolidated subsidiary, steadily contributed to the profit, centered on the installation and maintenance business for quick chargers for EVs.</li> <li>Achieving a shift to surplus in FY2023, it fell into losses again in FY2024. Selection and concentration are necessary in this segment, which has a large number of products, to achieve stabilization of earnings and further growth.</li> </ul>	
	Net sales	6.8	7.7	10.3	10.5		
	Profit	(0.2)	(0.2)	0.3	(0.2)		
	(%)	(4.2)	(2.7)	3.0	(2.0)		
Applied Optics Inspection System Business	2021	2022	2023	2024		<ul style="list-style-type: none"> <li>3D bump inspection equipment contributed significantly to the profit with a peak in FY2022, backed by vigorous capital investment of package makers (the semiconductor post-manufacturing process).</li> <li>Despite the slowdown of capital investment of package makers and orders on a downward trend, orders for the first model of wafer bump inspection equipment (the semiconductor pre-manufacturing process) were received in FY2024.</li> </ul>	
	Net sales	2.1	4.1	3.3	1.9		
	Profit	0.4	1.4	0.7	0.2		
	(%)	22.5	36.1	23.2	12.1		

### 3. Revelation of inappropriate incidents and SQC First Reform

- In August 2021, we disclosed an inappropriate inspection of our gas insulated switchgear. Since then, we have conducted a total quality inspection of all products. Throughout the process, any newly identified inappropriate incidents were promptly disclosed, and in September 2024, we announced the final results of this inspection. We would like to offer our sincere apologies for the significant concern and inconvenience caused to our customers and other stakeholders due to the revelation and announcement of a series of inappropriate incidents.
- In October 2024, we announced the SQC First Reform to revitalize the Company as an organization that places the utmost priority on safety, quality, and compliance. Based on the root cause analysis and recommendations from the Investigation and Verification Committee, we developed the Four Reforms and action plans and started the implementation.

#### Overview of series of inappropriate incidents

Aug. 27, 2021	Announcement of an inappropriate incident of gas insulated switchgear
Oct. 29, 2021	Announcement of recurrence prevention measures against the inappropriate incident of gas insulated switchgear
	Announcement of an inappropriate incident of remote controller for automatic switch
May 16, 2023	Announcement of an inappropriate incident of certain instrument transformer products
Jan. 22, 2024	Announcement of an inappropriate incident of extra-high-voltage transformer products
	Establishment of the Investigation and Verification Committee
Apr. 25, 2024	Announcement postponed formulation of Medium-term Management Plan
May 14, 2024	Announcement of an inappropriate incident of certain instrument transformer products
	Announcement of receipt of Interim Report from the Investigation and Verification Committee on an inappropriate incident of extra-high-voltage transformer products
Sep. 19, 2024	Announcement of results of total quality inspection
	Announcement of receipt of Supplementary Report and Final Report from the investigation and verification committee

#### Announcement of SQC First Reform based on Oct. 28, 2024 reflections on and lessons learned from the series of inappropriate incidents

#### ✓ Root causes of the series of inappropriate incidents

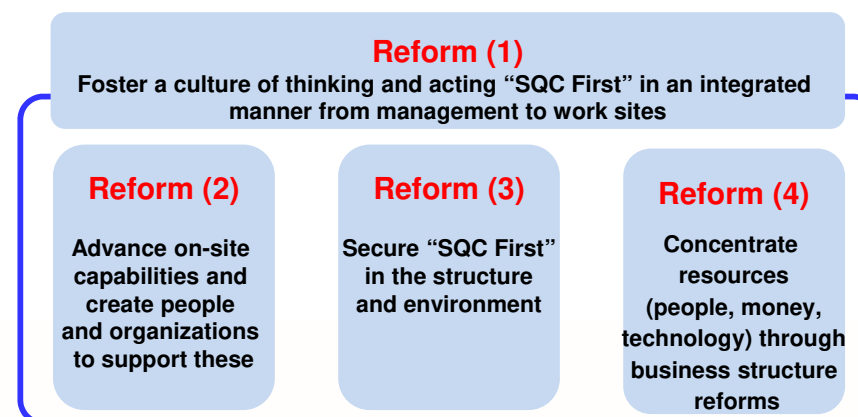
Root cause (1) [Disassociation between management and work sites]

Root cause (2) [Weakened on-site capabilities]

Root cause (3) [Lack of effectiveness of structure and DX]

Root cause (4) [Dispersion and shortages of resources]

#### ✓ SQC First Reform (Four Reforms)



# 4. Action plans for SQC First Reform

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

- (1) Review Management Philosophy, Vision and Credo, and promote understanding and instilment of them
- (2) Revitalize communication between management and work sites (town hall meetings, etc.)
- (3) Think and act “SQC First” led by management (Executive Directors and Executive Officers)
- (4) Prioritize allocation of resources (people and money) to the foundation development
- (5) Accelerate response to recommendations by Management Reformation Task Force\* and reestablish a forum to encourage employees to raise issues and propose reforms by themselves

## Reform 2 Advance on-site capabilities and create people and organizations to support these

- (1) Strengthen the securing and developing of human resources (strengthening of recruitment, development of on-the-job training environment, talent management system, training rotation, etc.)
- (2) Enhance basic education and self-development environment (compliance with laws and standards, QMS, compliance, kaizen, etc.)
- (3) Review the personnel system to appropriately evaluate those who take on challenges, promote personnel rotation for T-type human resources, etc.
- (4) Promote kaizen activities considering S (safety) = Q (quality) = C (compliance) >>> D (delivery) ≥ C' (cost)
- (5) Ensure psychological safety and promote communication within and outside the workplace, emphasizing reporting, contacting, and consultation, active listening, and dialogue

## Reform 3 Secure “SQC First” in the structure and environment

- (1) Reorganize and timely updates to internal manuals (design, manufacturing, inspection standards, etc.) and utilize them for regular training
- (2) Ensure quality by separating and clarifying the roles of design, manufacturing, and quality assurance, and by setting and visualizing a reasonable lead time (LT)
- (3) Implement kaizen in internal control systems to strengthen risk detection, prevention, and response (exercise functions of the 3-line defense, strengthening risk management system, corporate ethics activities and whistleblower hotline, thorough documentation, etc.)
- (4) Accelerate the promotion of factory DX (digitalization and automation of manufacturing and inspection processes, visualization of production and process control, etc.)

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

- (1) Shift away from self-manufacturing for some products where we lack technology and resources (selection and concentration of manufacturing) and allocate resources optimally to ensure quality and growth simultaneously
- (2) Standardize product specifications and delivery times while leveraging our strengths in “flexible response to individual specifications and delivery times”

Note: Management Reform Task Force was established by core employee representative in April 2022 with the aim of promoting recurrence prevention measures against the inappropriate incident of gas insulated switchgear.

On March 31, 2024, its activities ended following the development of the action plans for reform and the determination of the departments to implement.

I. Review of Business Activities

II. Establishment of New Management

**Philosophy**

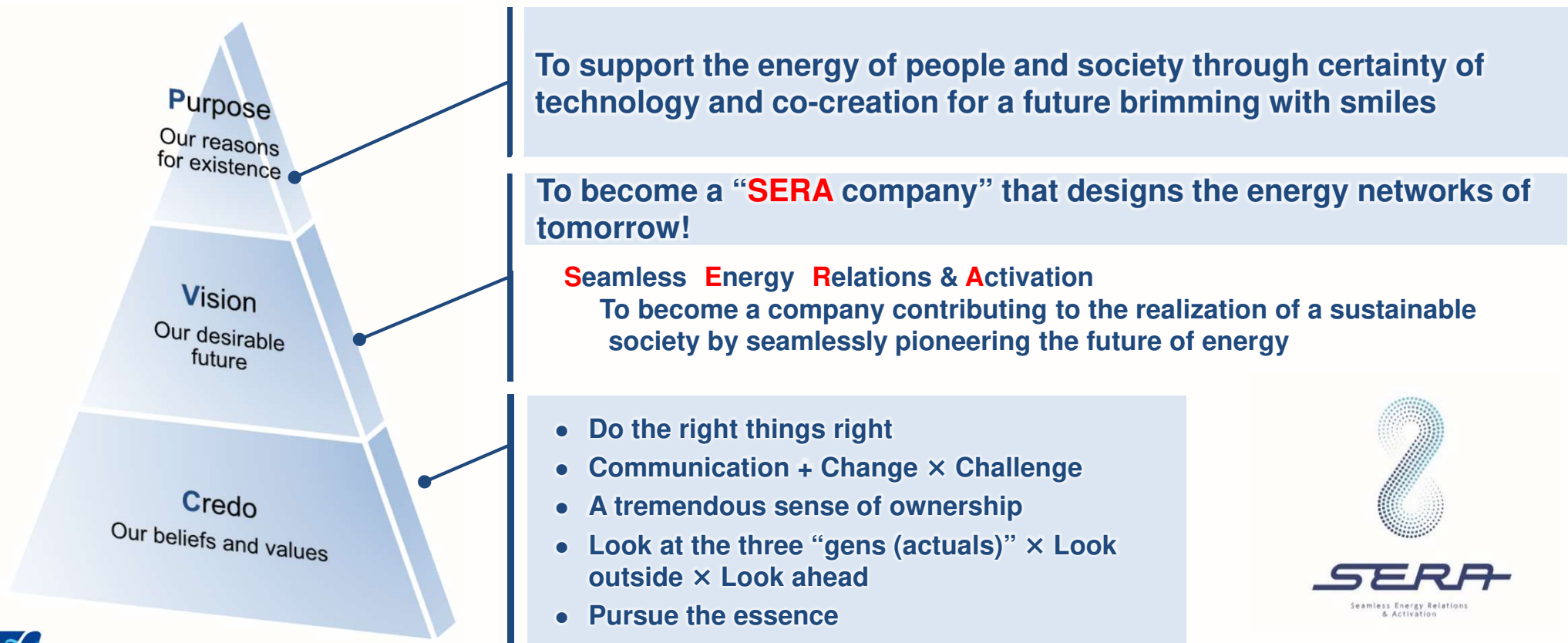
III. Medium-term Management Plan 2027

IV. Action to implement management that is  
conscious of cost of capital and stock price



# 1. TAKAOKA TOKO Group New Management Philosophy

- Upon re-launching as the new TAKAOKA TOKO under SQC First, we have established the “TAKAOKA TOKO Group New Management Philosophy” since we need a new compass and code of conduct as a guiding principle for all Group employees.
  - ◆ Purpose: Embody the desire to “continuously support safe, secure, and comfortable lifestyles and sustainable development of society” as the Group’s reasons for existence
  - ◆ Vision: Aim for “SERA” as the vision of employees and organizations (seamlessly collaborate with each other while maximizing each person’s energy to dynamically activate the future of the company and the employees) in addition to being a concept common to all of our businesses
  - ◆ Credo: Reflect the reflections on and lessons learned from the inappropriate incidents while following the current credo





## 2. Purpose (our reasons for existence)

**To support the energy of people and society  
through certainty of technology and co-creation for a future brimming with smiles**

<b>Certainty of technology</b>	<p>We have contributed to the development of electric power infrastructure in Japan, which is considered to be of the highest quality in the world, with the technical capabilities we have developed.</p> <p>We will continue to deepen and evolve our technology persistently and honestly with fortitude and worksite-driven originality and ingenuity.</p>
<b>Co-creation</b>	<p>Co-creation refers to co-creation with customers, co-creation with business partners, and co-creation among employees.</p> <p>Together with our customers and business partners, we strive to create new value and make our utmost efforts to resolve social issues.</p>
<b>Energy</b>	<p>The word “energy” represents not only power and other forms of energy that support social infrastructure, but also energy as the power of every individual’s life.</p> <p>It embodies our desire to support not only a safe and rich society, but also people’s vitality.</p>
<b>A future brimming with smiles</b>	<p>Our goal is to continue to support safe, secure, and comfortable lifestyles and the sustainable development of society, and to create a bright future brimming with smiles.</p> <p>To this end, we will continue to build trust and be a trusted company.</p>



### 3. Vision (our desirable future)

To become a “SERA company” that designs the energy networks of tomorrow!

We will fulfill our two-fold mission and aim to make the leap to “SERA Company!”

**Unchanging mission:** To contribute to a safe and rich life and the development of socioeconomic activities by supporting stable supply and advanced use of electricity

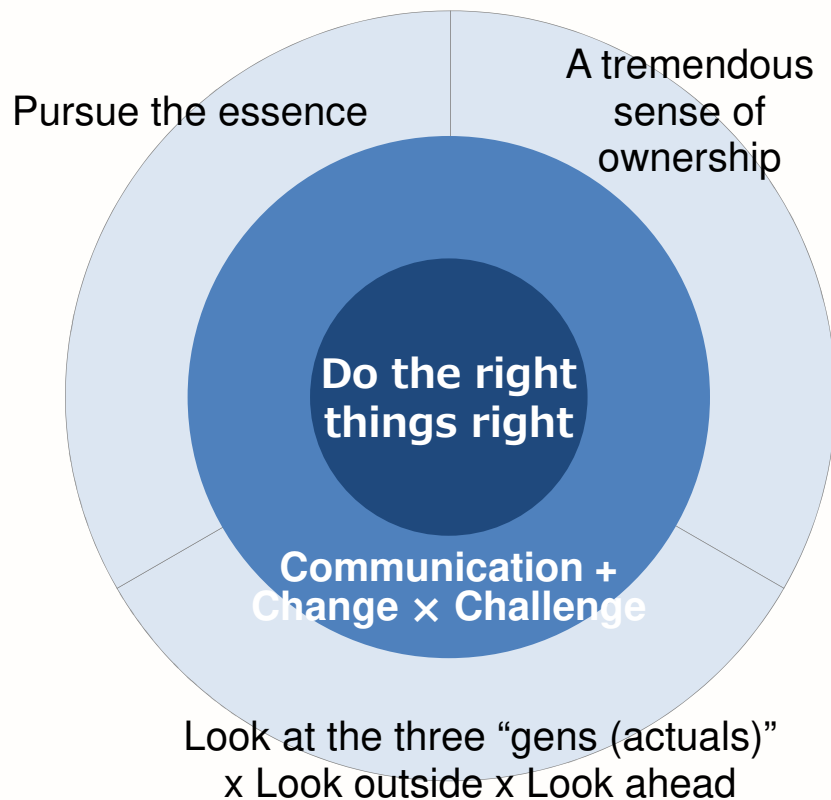
**New mission:** To contribute to a sustainable society by creating solutions for new social issues, including carbon neutrality and the strengthening of resilience

In addition to its original meaning of “future existence,”  
SERA embodies the desire to be an entity  
that seamlessly connects energy, activates it, and designs the energy network of the future.

We will deepen and evolve our capabilities to develop and provide equipment and solutions that provide total support for electric power networks, and integrate the latest data and digital technologies, thereby becoming a seamless connection between the energy networks of the future, people’s daily lives, and a sustainable society.



## 4. Credo (our beliefs and values)



### Do the right things right

With safety, quality, and compliance as our top priorities, we will “do the right things as a human” for our customers, society, and future. Let this be the guiding principle of all our thinking and acting.

### Communication + Change × Challenge

In our daily work, it is important to communicate and to keep challenging ourselves for transformation.

Let’s continue to take on the challenge of kaizen and transformation by actively collaborating vertically, horizontally, diagonally, inside and outside the organization in order to improve the quality of work and create new value.

### A tremendous sense of ownership

Let each one of us play a leading role and be aware of the purpose, role, and responsibility of our own work.

Let’s have a tremendous sense of ownership as professionals.

### Look at the three “gens (actuals)” × Look outside × Look ahead

Let’s always keep track of the three “gens (actuals)” of the work site, what is there, and what is happening there.

Then, with an attitude of learning, let’s look outside the company to the market, customer needs, and competitors, and look ahead to the changes that await us.

### Pursue the essence

Never be distracted by the superficial aspects of the work or task at hand. Let’s search for the grounds and root causes behind it, asking “Why? Why? Why?” repeatedly to discover the essence of things.



I. Review of Business Activities

II. Establishment of New Management

Philosophy

**III. Medium-term Management Plan 2027**

IV. Action to implement management that is  
conscious of cost of capital and stock price

# 1. Changes in internal and external environment

## External environment

### Political

- **Planned facility renewal** through a revenue cap system
- **Next-generation electric power network** for realization of GX2040 vision
- Formulation of **the 7th Strategic Energy Plan** (**achieving both stable supply and decarbonization** for electricity demand such as DX)

### Economic

- **Increase in electricity demand** due to growth in data centers, semiconductor plants, etc.
- Increased pressure on wages due to labor shortages and rising prices
- Actions to achieve **management that is conscious of cost of capital**

### Social

- **Growing interest in sustainability** of society and the environment
- Decrease in workforce in Japan
- Growing need for BCP and resilience

### Technology

- **Digital grid and IoT**
- Advanced energy use
- Advanced facility operation and maintenance through sensing technology

## Internal environment

- **Deteriorated product quality and eroded trust of stakeholders in our group due to a series of inappropriate incidents**
- **Lack of instilment of management's thoughts and policies**
- Insufficient human resources due to recruitment difficulties and lack of training initiatives
- **Delay of DX** to support business advancement and labor saving

## Our approach

Establish a system for market expansion of Electric Equipment Business and Metering Business

Shift to selling services integrated with digital solutions

Improve capital efficiency  
Optimize cost of capital

Promote DX further, improve productivity

Implement SQC First Reform

Establishment and instilment of New Management Philosophy



## 2. Positioning of Medium-term Management Plan 2027

- The Medium-term Management Plan 2027 shall be positioned as the foundation period for “restoration and growth as the revitalized SQC First TAKAOKA TOKO.”
- We will maintain the business performance targets of the 2030 VISION outlined in April 2021 and, as management targets for 2030, aim to achieve consolidated net sales of 150.0 billion yen and operating profit of 15.0 billion yen (operating profit ratio of 10%).

### New Management Philosophy

(Purpose, Vision, Credo)

Change to “management targets” along with establishment of New Management Philosophy



## 3. Basic policies

### What we want to achieve

Restore stakeholder trust  
by restoration to a QC  
First company

Transform the core  
businesses (Electric  
Equipment Business /  
Metering Business) into a  
business structure that can  
secure solid profits while  
ensuring SQC, and grow in  
response to the expanding  
market

Invest profits from the  
core businesses in focus  
businesses and core  
peripheral businesses to  
build a foundation for a  
further leap forward

As a result, our products  
and services will support  
the foundation of the  
energy business and  
contribute to a sustainable  
society.

### Basic policies

1

## SQC First Reform

- Foster a culture of thinking and acting “SQC First” in an integrated manner from management to work sites
- Advance on-site capabilities and create “people and organizations” to support these
- Secure “SQC First” in the structure and environment
- Concentrate resources (people, money, technology) through business structure reforms

2

## Restoration and strengthening of core businesses

- Rebuild business processes
- Promote optimal operations at a Group level

3

## Rebuilding of a growth story

- Identify and strengthen growth businesses

4

## Strengthening of a management base

- Strengthen sustainability initiatives

## 4. Target consolidated business performance

- Considering the partial residual impact of the inappropriate incidents and the impact of investment plan trends of the TEPCO Group, the business performance in FY2025 is expected to remain almost flat from FY2024.
- We will promote various measures based on the basic policies and aim to achieve V-shaped growth in the plan for FY2027 to a level that exceeds the record-high profits of FY2023.

	2024 Results	2025 Plan	2027 Plan
Consolidated net sales	<b>106.6</b> billion yen	<b>108.0</b> billion yen	<b>120.0</b> billion yen
Consolidated profit	<b>6.0</b> billion yen	<b>6.2</b> billion yen	<b>9.0</b> billion yen
Profit attributable to owners of parent	<b>3.8</b> billion yen	<b>3.9</b> billion yen	<b>5.5</b> billion yen
ROE <sup>*1</sup>	<b>6.4%</b>	<b>6.4%</b>	<b>8.0%</b> or more
ROIC <sup>*2</sup>	<b>6.6%</b>	<b>6.6%</b>	<b>8.0%</b> or more
Equity ratio	<b>53.6%</b>	Around <b>53.0%</b>	Around <b>50.0%</b>

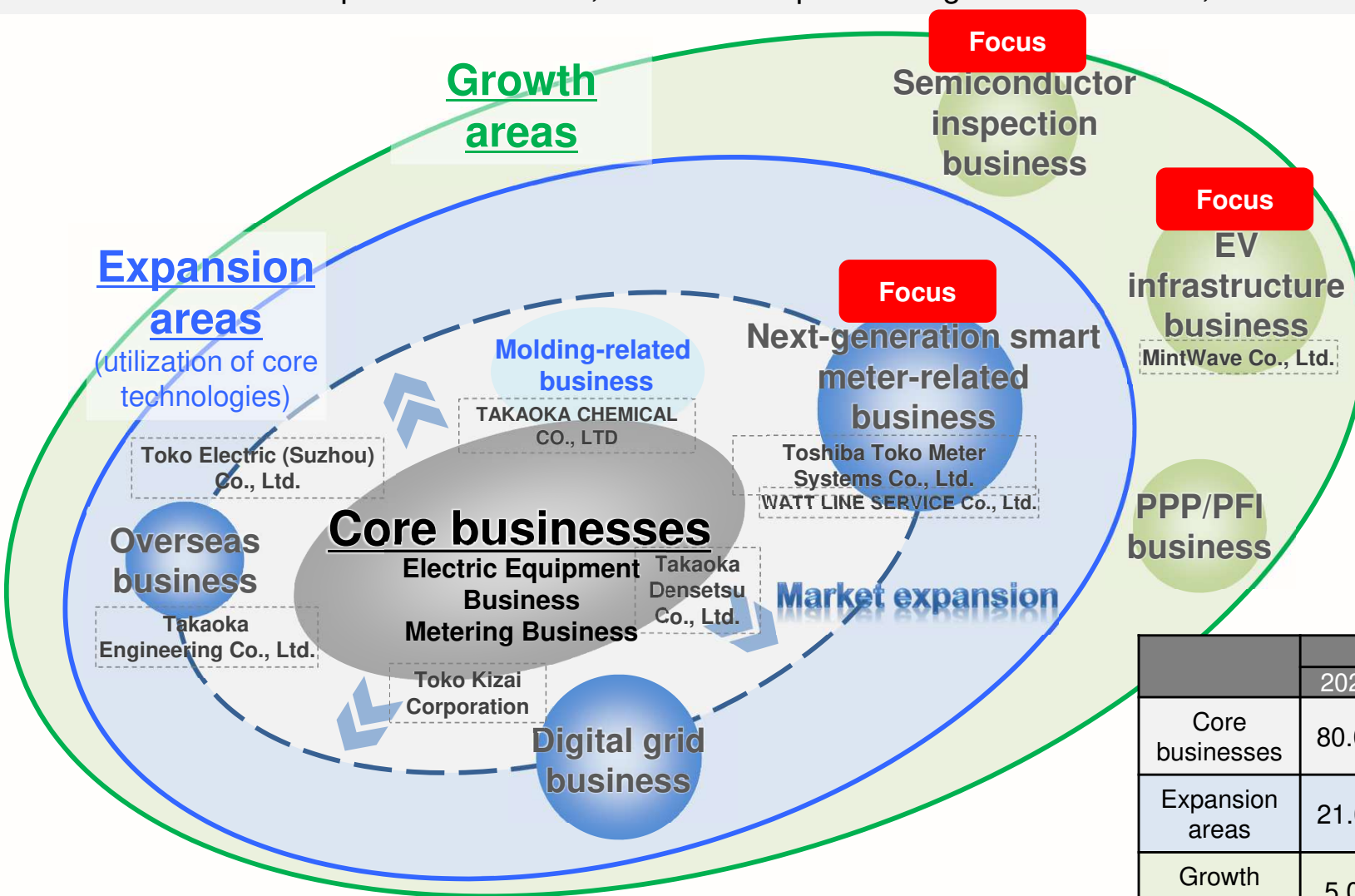
<sup>\*1</sup> Profit attributable to owners of parent ÷ Equity

<sup>\*2</sup> Operating profit x (1 - Effective tax rate) ÷ (interest-bearing debt + Equity)



## 5. Future vision of business segments

- We will aim for the restoration and strengthening of the core businesses (Electric Equipment Business / Metering Business), responding to market expansion, and sales expansion including adjoining areas.
- We will allocate resources to the next-generation smart meter-related business, EV infrastructure business, and semiconductor inspection business, which are expected to grow in the future, as focus businesses.



	Consolidated net sales		
	2024 Results	2027 Plan	2030 Target
Core businesses	80.0 billion yen	81.0 billion yen	98.0 billion yen
Expansion areas	21.0 billion yen	28.0 billion yen	36.0 billion yen
Growth areas	5.0 billion yen	11.0 billion yen	16.0 billion yen



## 6. Priority measures in key segments

### Electric Equipment Business

Amid the ongoing market expansion, we will establish the growth foundation by quality improvement of extra-high-voltage power reception and substation equipment, expansion of manufacturing capacity, optimization of high-voltage equipment production sites, promotion of factory DX, development of environmentally friendly and IoT products, etc.

Performance by segment (billions of yen)

	2024	2025	2027
Net sales	59.8	59.1	61.0
Profit	6.2	6.9	6.2
(%)	10.4	11.7	10.2

#### Measure 1

- Business revitalization and growth through partnering in extra-high-voltage power reception and substation equipment business

#### Measure 1

- Supply of power reception and substation equipment for large-scale facilities such as data centers

#### Measure 2

- Productivity enhancement by consolidation of dispersed production sites

- Development of environmentally friendly products to meet market needs
- Development of advanced sensing technology and expansion of service business
- Development of new services capable of accommodating next-generation networks

### Metering Business

In addition to the stable expansion of the instrument transformer business, we will take advantage of the opportunity of the introduction of next-generation smart meters by electric power companies (from FY2025) to expand our market share by strengthening our competitiveness and expand our business to peripheral areas such as the meter equipment center business.

Performance by segment (billions of yen)

	2024	2025	2027
Net sales	33.2	33.6	35.0
Profit	4.3	3.6	5.8
(%)	13.2	10.7	16.6

#### Measure 3

- Stable supply and increase in market share of next-generation smart meters

#### Measure 2

- Expansion of value chain for next-generation smart meters through meter equipment center business

#### Measure 2

- Reinforcement of manufacturing capacity and expansion of sales through expansion of oil-to-gas transformer plant
- Improvement of productivity through automation of manufacture and testing of molds and oil-to-gas transformers

- Expansion of gas VT business in growth markets of China and India
- Development and market launch of SF<sub>6</sub>-alternative gas products



## 6. Priority measures in key segments

### GX Solution Business

W will establish GX Solution Business, which contributes to resolving social issues (expansion of renewable energy and local production for local consumption, full-scale spread of EVs, energy saving and CO<sub>2</sub> reduction, decarbonized city planning, etc.) toward the realization of carbon neutrality, as a profitable business.

Performance by segment (billions of yen)

	2024	2025	2027
Net sales	10.5	12.2	20.0
Profit	(0.2)	0.3	1.9
(%)	(2.0)	2.5	9.5

Measure 4

Measure 3

- Stabilization of earnings and early return to profitability by streamlining product portfolio and concentrating resources
- Expansion of product and service lineup in SERA series and expansion of customers
- Enter the next-generation Automatic Metering Infrastructure (AMI) business and development of data utilization business
- Ongoing receipt of orders and expansion of PPP/PFI business
- Expansion of energy management services for the realization of carbon neutrality

### Applied Optics Inspection System Business

We will achieve V-shaped growth through the launch of products in response to the evolution of leading-edge semiconductors (chipletization) and exploration of new customers in Japan and overseas, leveraging our strength of having the biggest market share of bump inspection equipment for state-of-the-art packaged substrates in Japan.

Performance by segment (billions of yen)

	2024	2025	2027
Net sales	1.9	2.2	3.0
Profit	0.2	0.2	0.4
(%)	12.1	9.1	13.3

Measure 5

- Launch of products in response to increased demand for bump inspection resulting from evolution of leading-edge semiconductors
- Exploration and expansion of customers in Japan and overseas for the expansion of sales

## Measure 1

# Revitalization and growth in extra-high-voltage power reception and substation equipment business

- Realize radical kaizen in technology, quality, and business structure through partnering for high voltage transformers and gas insulated switchgears
- Simultaneously, make intensive investments in aging factories and facilities to revitalize them into “profitable factories” that can respond to strong demand and achieve growth

## External environment

- The energy market maintains growth through DX (generative AI, robotics, etc.) and GX (increase in renewable energy, promotion of electrification, and utilization of hydrogen, etc.)
- Increasing demand for environmentally friendly products that contribute to carbon neutrality
- With the spread of renewable energy, the demand of the advanced operation of the power distribution network has increased (low initial investment and minimal maintenance)

## Direction of measures

- Invest in renewal of aging plant facilities and reinforce productivity
- Shift away from self-manufacturing, and establish technology and quality systems through co-creation and production facilities and systems to meet demand

## (1) Business revitalization and strengthening of extra-high-voltage power reception and substation equipment business

- Improvement of safety and quality of high voltage transformers and gas insulated switchgears through partnering and investments to respond to strong demand for extra-high-voltage power reception and substation equipment

## (2) Introduction of environmentally friendly products

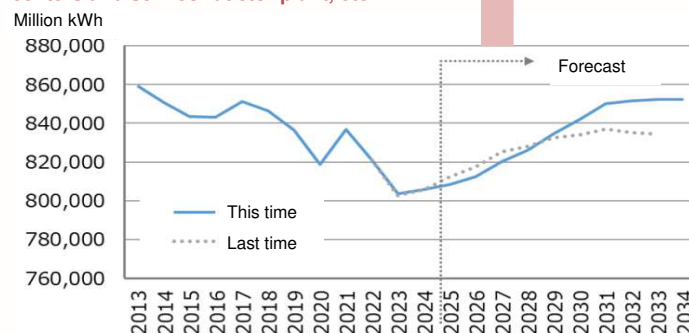
- Market launch of vegetable oil high voltage transformers
- Promotion and early market launch of SF<sub>6</sub> gas-less switch gears

## (3) Development and realization of products and services regarding advanced sensing technology

- Development of new sensing and high-precision deterioration diagnosis technology
- Realization of remote monitoring through advanced maintenance data analysis technology

### Expanding demand for electricity

New establishment and reinforcement of data centers and semiconductor plant, etc.



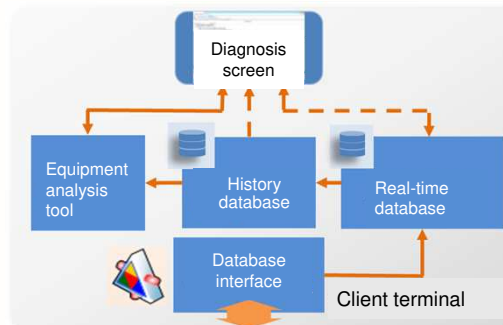
Reference: Electricity Demand Forecast for Nationwide and Each Regional Service Area in FY2025 released on January 22, 2025 by Organization for Cross-regional Coordination of Transmission Operators, JAPAN

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### Environmentally friendly high voltage transformer 66kV palm fatty acid ester transformer



### Maintenance data analysis system



### 7.2kV Smart SIS compatible with digital substation with sensing function



## Measure 2

# Consolidation of dispersed production sites and expansion of instrument transformer plant

- Aim to streamline resources (facilities / personnel) through the consolidation of dispersed production sites to maximize manufacturing productivity of high voltage equipment (small transformers, power distribution switchgears, instrument transformers for metering services)
- Simultaneously, make intensive investments in aging factories and facilities to realize “profitable factories” by factory DX and multi-training of personnel

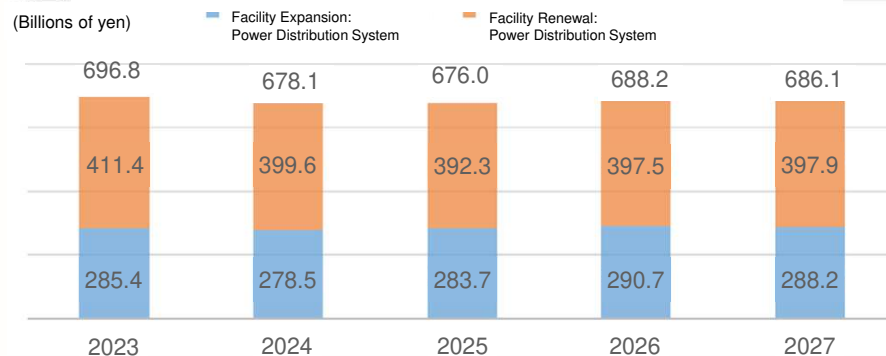
## External environment

- There are two extremes: planned facility renewal based on a revenue cap system and changes in volume due to fluctuations in the price of key materials.
- New market expansion and increased price competition fueled by the unification of all power specifications
- Increased importance of more stable supply of power distribution equipment due to more severe disasters

## Direction of measures

- Consolidation of production sites to optimize manufacturing costs
- Promotion of multi-trained workers at plants that can respond to demand

**The Revenue Cap System 1st Regulatory Period  
Business Plan “Capital Investment Plan”**



Reference: Business Plan of each General Transmission and Distribution Company submitted on September 29, 2023 (Excerpts from the Capital Investment Plan for the Power Distribution System)

## (1) Consolidation of dispersed production sites of high voltage equipment

- Consolidation of dispersed production sites and functions of high voltage equipment (small transformers, power distribution switchgears, instrument transformers for metering services) (by the end of FY2028 as target)
- Promotion of DX (automation and digitalization) at the consolidated plant to realize high efficiency for production lines (by the end of FY2029 as target)
- Realization of multi-skilled workforce by consolidating personnel, and flexible personnel composition according to production conditions to adapt to a declining workforce

Plants for small transformers	Plants for power distribution switchgears	Plans for instrument transformers for metering services
Case sheet metal plants	Case sheet metal plants	Case sheet metal plants
Paint plants	Paint plants	Paint plants
Assembly plants	Assembly plants	Assembly plants
Shipping test station	Shipping test station	Shipping test station

## Consolidate in one place

## (2) Expansion of oil-to-gas transformer plant

- Expansion of oil-to-gas transformer plant to respond to increased demand for electric power and increased demand due to withdrawal of other companies (by the end of 2026 as target)
- Realization of a 120% increase in production capacity along with improved safety and quality by revamping the layout to adjust to the expansion

## Measure 3

## Next-generation smart meters-related businesses

- Development of next-generation smart meters and development of production lines (automation rate at 100%) at Toshiba Toko Meter Systems is moving forward smoothly and manufacturing and shipping are scheduled to start in mid FY2025. Aim to expand our market share, using the nationwide unification of specifications as an opportunity.
- Maximize sales and profits through our involvement in the entire smart meter supply chain domain by newly promoting the “equipment center business” and “next-generation AMI business”

## External environment

- Full-scale introduction of next-generation smart meters in FY2026
- Nationwide unification of specifications of smart meters



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TAKAOKA TOKO CO., LTD.

WATT LINE SERVICE

株式会社 東光高岳  
TAKAOKA TOKO CO., LTD.

WATT LINE SERVICE

株式会社 東光高岳  
TAKAOKA TOKO CO., LTD.

東光東芝メーターシステムズ株式会社

Construction and  
production planningSmart meter  
unit manufacturingNew domain  
Assembly of smart meters

Logistics / shipping

Construction supervision  
Installation workNew domain  
Creation of new services

## Equipment center business as the pillar to supplying high-quality products\*

Playing a pivotal role in the supply chain of smart meters toward the establishment of the environment for the next generation of electric power infrastructure

- Assembly operations for all smart meters
- Support services for pairing between Metering Division and Transmission Division



(Scheduled to be completed in July 2025 and start operations in December 2025)

\*Image of the completed plant

## Direction of measures

- Involvement of the TAKAOKA TOKO Group in all areas of the supply chain, from upstream to downstream, to ensure superiority and increase the value of the Group's presence

## Advanced use of data and new solutions

## Creation of new services to contribute to a sustainable society

- Development and maintenance of AMI (Advanced Metering Infrastructure) systems
- Data utilization services (monitoring support, etc.)
- IoT route utilization of new features (joint meter reading, etc.)



## Measure 4

## EV infrastructure businesses

- Ensure our position as the top manufacturer of quick chargers for EVs by expanding the product lineup, strengthening one-stop services, refining the quality (outperforming competitors in failure downtime), our strength, and development of the business selling services in addition to proactive expansion of the “SERA” brand

## External environment

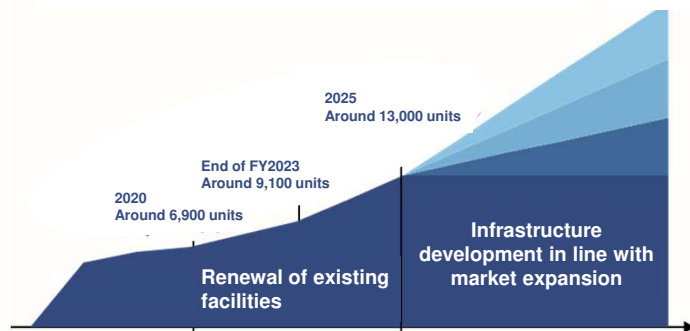
- Installation of 300,000 units of charging infrastructure, including 30,000 units of public quick chargers by 2030 (based on the METI guidelines)
- Needs for higher output and introduction of meter billing system
- Demand for the establishment of a convenient, sustainable, and optimal charging infrastructure that meets the needs of various usage patterns

## Direction of measures

- Quick response to needs (early launch of products for higher output and establishment of sustainable, and optimal charging infrastructure)
- Ensuring the quality as a top manufacturer of quick chargers for EVs

Image for the expansion of quick charging infrastructure (number of units)

Target of the government  
30,000 units



Reference: e-Mobility Power Co., Inc., material released on April 22, 2024

## (1) Product lineup and expansion of customer base

- Large-capacity quick chargers (150kW) released in April 2025
- **Next-generation ultra-fast chargers (400kW) scheduled to be released in fall 2025**

Acquired the world's first  
CHAdeMO certification

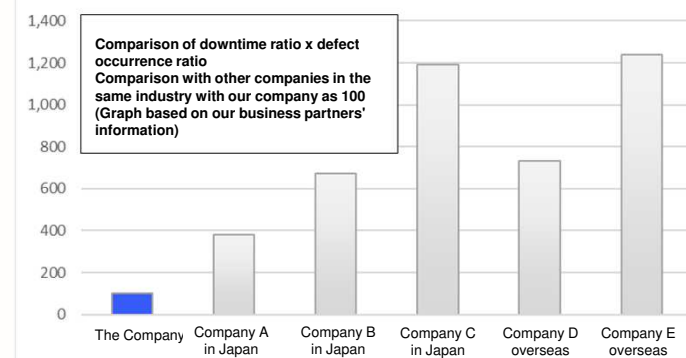
## (2) Establishment of charging infrastructure services

- Strengthening and expansion of installation and maintenance systems in the Group
- Proactive expansion of the business selling services including the aim a CHARGE and realization of commercialization

## (3) Maintaining of the industry- top quality

- Maintaining of the industry-top quality and enhancement of the SERA brand as a manufacturer of quick chargers for EVs to be chosen

Comparison of defect occurrence in 2024





## Measure 5

## Semiconductor inspection business

- Aim for V-shaped growth by exploration of new customers in Japan and overseas and market launch of new products in response to the evolution of leading-edge semiconductors (chipletization), leveraging the trust and technology we have with the biggest market share of bump inspection equipment for state-of-the-art packaged substrates in Japan, as demand for AI semiconductors increases significantly

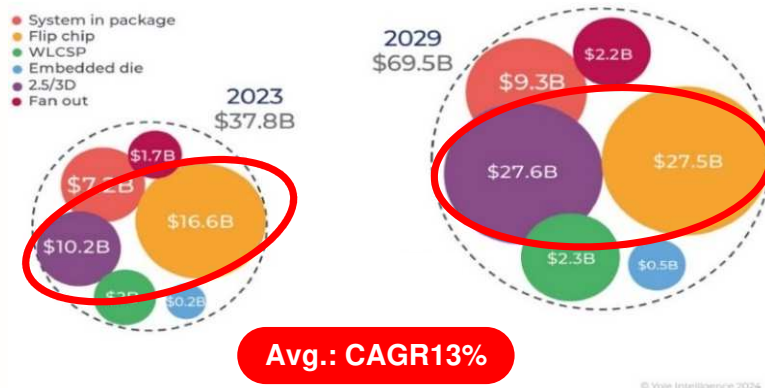
## External environment

- Diversification of major manufacturers in the semiconductor industry
- Increasing demand for semiconductors for AI
- Increased inspection requests in response to semiconductor miniaturization by innovation of package technology and advancement of chipletization for electronic devices

## Direction of measures

- Exploration and expansion of customers in Japan and overseas for the expansion of sales
- Responses to new inspection needs following the evolution of leading-edge semiconductors

**Trend Forecast for FC-BGA Package Market**  
2023-2029 advanced packaging industry revenue forecast  
(Source: Status of the Advanced Packaging Industry 2024, Yole Intelligence, July 2024)



(Flip chip: CAGR9%, 2.5/3D: CAGR18%)

Reference: Yole Intelligence "Status of the Advanced Packaging Industry 2024"

## (1) Exploration and expansion of customers in Japan and overseas

- Strengthening of overseas sales by reviewing partner companies overseas
- Understanding of needs and enhancement of capabilities to respond to customers through close cooperation with major substrate manufacturers and end users

## (2) Launch of new products in response to the evolution of package substrates

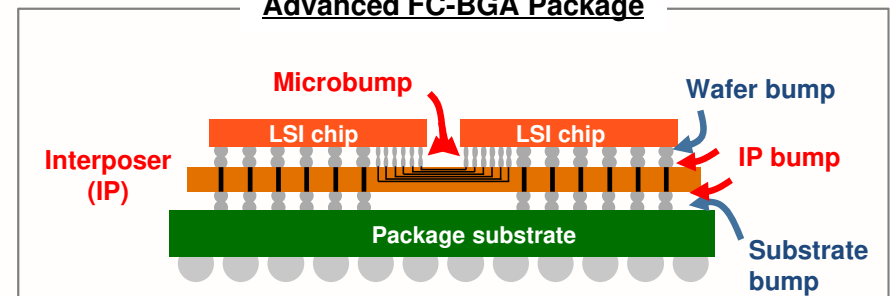
**Leveraging our advanced sensing technology as an advantage,**

- Market launch of inspection equipment that can measure interposer bumps
- Market launch of inspection equipment that can measure wafer bumps

For leading-edge semiconductors, it is projected that **the demand for bump inspection will significantly increase** following the bump domain doubled by the interposer structure and mounting of bumps that are finer than ever before (microbump).

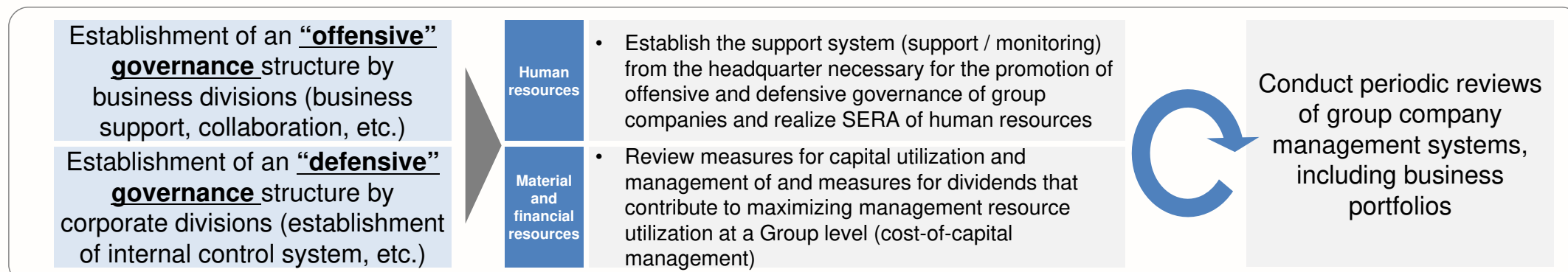
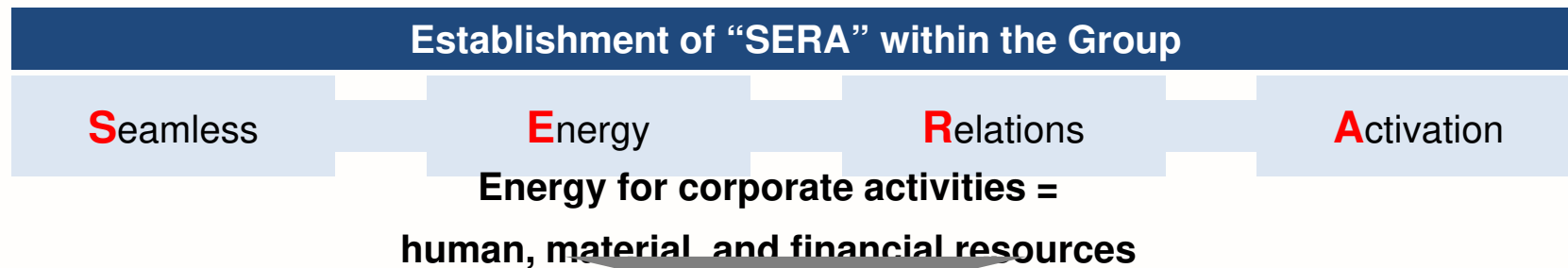
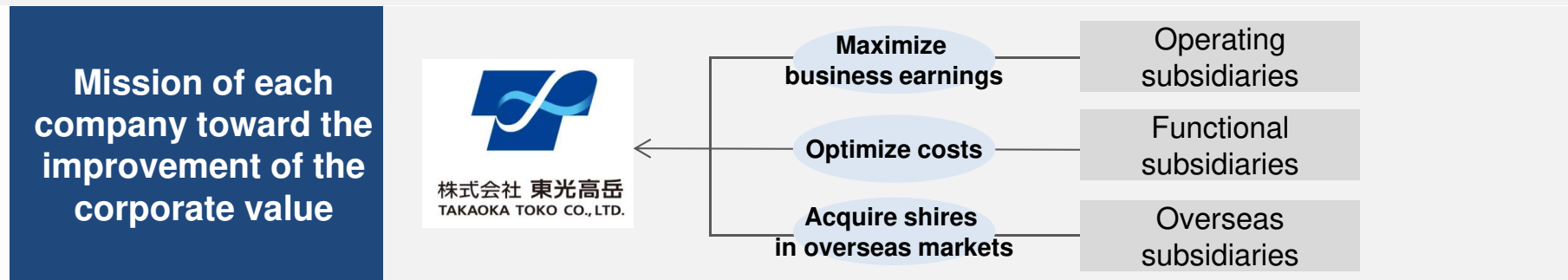
In addition, it is projected that **there will be stronger inspection demand for bumps on chiplets = wafer bumps than before** since the package with the chiplet structure will be a high-cost package and all of each chiplet is required to be in good condition.

## Advanced FC-BGA Package



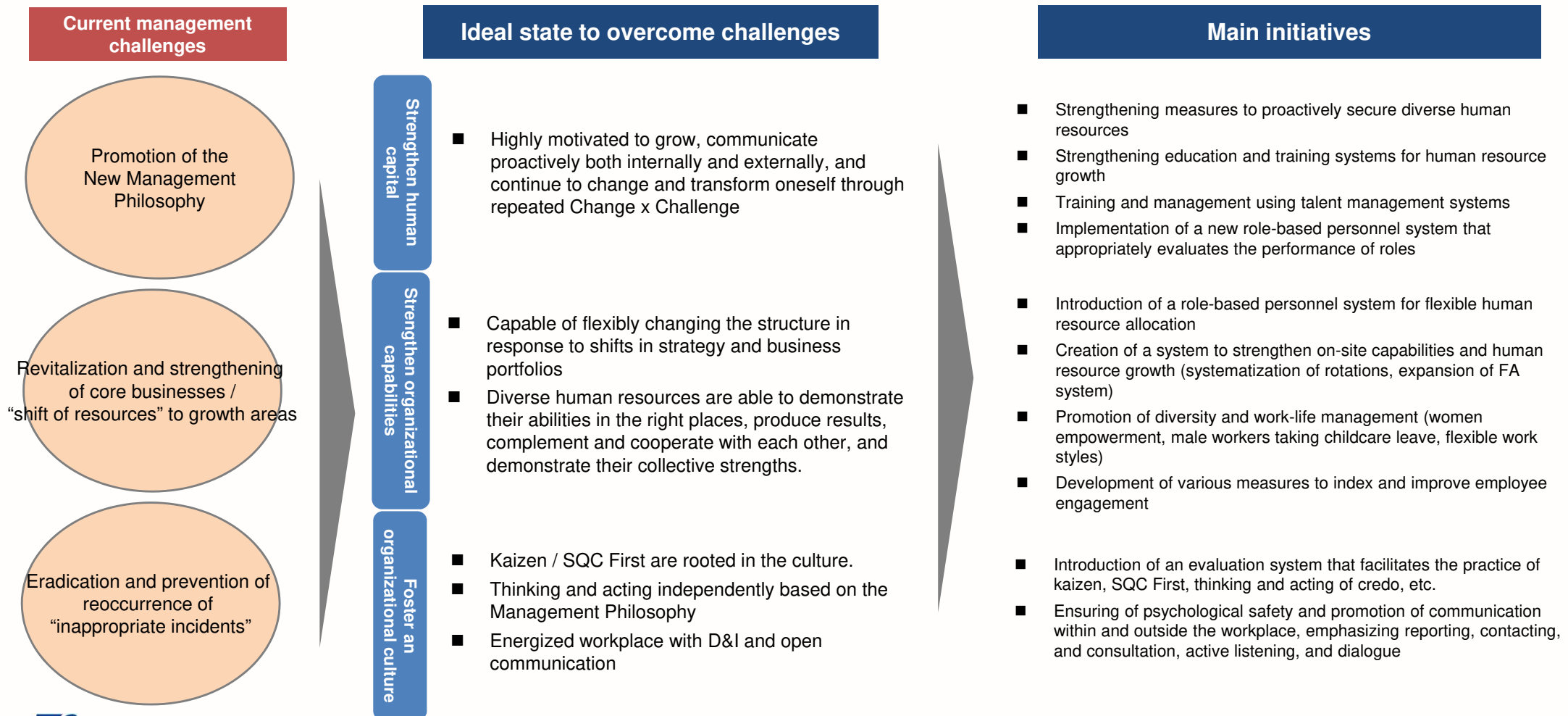
## 7. Strengthening of the Group governance

- Realize SERA between the headquarter and each group company and maximize the corporate value while maintaining QC First in the entire Group
- To this end, consider and introduce the following measures: clarification of the mission of each operating subsidiary, functional subsidiary, and overseas subsidiary, business portfolio optimization at a Group level, establishment of offensive and defensive governance (support, collaboration, and governance) systems, and cost of capital management (ROIC development)



## 8. Value enhancement of human capital

- Strengthen measures for human capital toward the creation of an organization where diverse people are motivated to co-create and keep challenging themselves
- Systematically promote measures for securing (hiring) and strengthening the training (OJT / Off-JT, rotations, etc.) of human resources that support growth, thinking and acting based on the Credo and introduction of a new personnel system that evaluates performance fairly, expansion of human capital investment (3 years: +6.0 billion yen for education, salaries, etc.), engagement improvement, etc.
- Aim to achieve 5% increase\* in sales per employee driven by productivity improvements through promotion of DX and kaizen \*TAKAOKA TOKO, non-consolidated



## 9. DX strategies

- Based on changes in digital trends in the world and SQC First Reform, a six-item DX roadmap has been formulated and is being promoted.
- For the time being, we will especially focus on “(1) Factory DX of SQC First Reform,” “(2) Desk work DX by generating AI,” and “(6) DX talent development, which will serve as the foundation.”

### Digital trends

#### a. Generalization of AI

- Generative AI, generic AI, AI as good as or better than humans
- Automated and unmanned operations
- Coexistence of humans and AI

#### b. Smart factories

- IoT, digital twins
- Robots, AGVs, etc. to replace labor
- Mass customization

#### c. Use of data

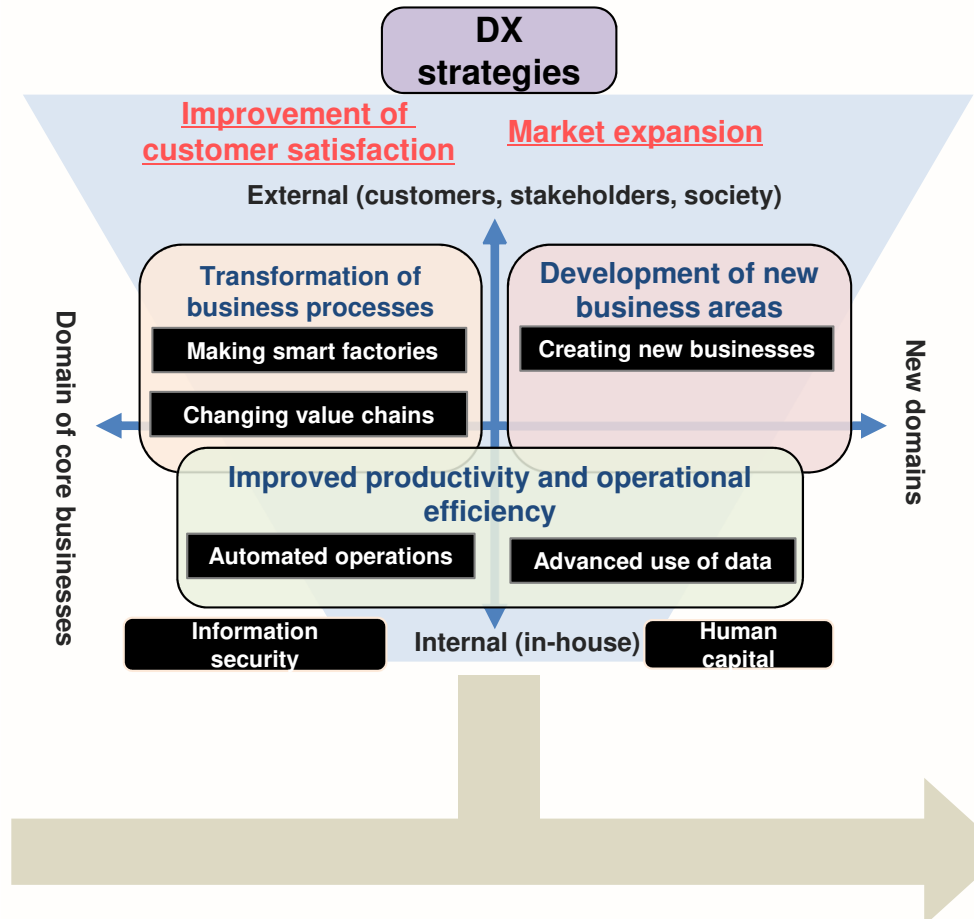
- Utilization of big data and IoT data
- Automated data analysis

#### d. Development of virtual space world

- Fusion of real and virtual worlds, xR (VR·AR·MR)
- Virtual communication, dispersed and remote collaboration

#### e. Advanced infrastructure

- High-speed, high-capacity, low-latency network
- Zero trust security



### DX roadmap

#### (1) Factory DX

- ✓ Transformation of manufacturing processes
- ✓ Digitalization and automation of inspection and manufacturing
- ✓ Creating a database of quality-related information

#### (2) Desk work DX

- ✓ Work transformation using generative AI

#### (3) Sales and design DX

- ✓ Transformation of the supply chain
- ✓ Automated estimation and design
- ✓ Utilization of 3D data, simulation

#### (4) Advanced use of data

- ✓ Data analysis, visualization of factories
- ✓ Development of data scientists

#### (5) Strengthening of supply chain security

- ✓ Zero trust security
- ✓ PSIRT / ISMS

#### (6) DX talent development

- ✓ Development of core employees



## 9. DX strategies (Promotion status of factory DX)

- Accelerate initiatives to build processes that do not require human intervention and to strengthen process control, including digitalization of check sheet (inspection: until March 2027, manufacturing: until March 2028), visualization of production status (until March 2027), and digitalization and automation of manufacturing and inspection lines (sequentially)
- A laboratory will be established in FY2025 to verify and apply various DX technologies.

## Example of digitalized check sheet

### Example of screen on a tablet

[illegible]

— Characteristics —

- Input by digital caliper without human intervention
- Storage and traceability by data
- Display check points with pictures and illustrations

## Automation of manufacturing (technical verification)

## Assembly by collaborative robots



— Verification items —

- Transport and assembly of components
- Screw tightening (M8-10 hexagon head bolt)
- Positioning using force sensors
- Alignment using an imaging camera

\*Collaborative robot: robot that can be installed without safety fences and allows people to work within the robot's range of movement.

## Automation of inspection (technical verification)

## Inspection with sensors and cameras



— Verification items —

- Determination of appearance defects such as discoloration, scratches, etc.
- Dimensional measurements
- Confirmation of the presence of parts and check marks
- Determination of whether parts are in good condition for installation

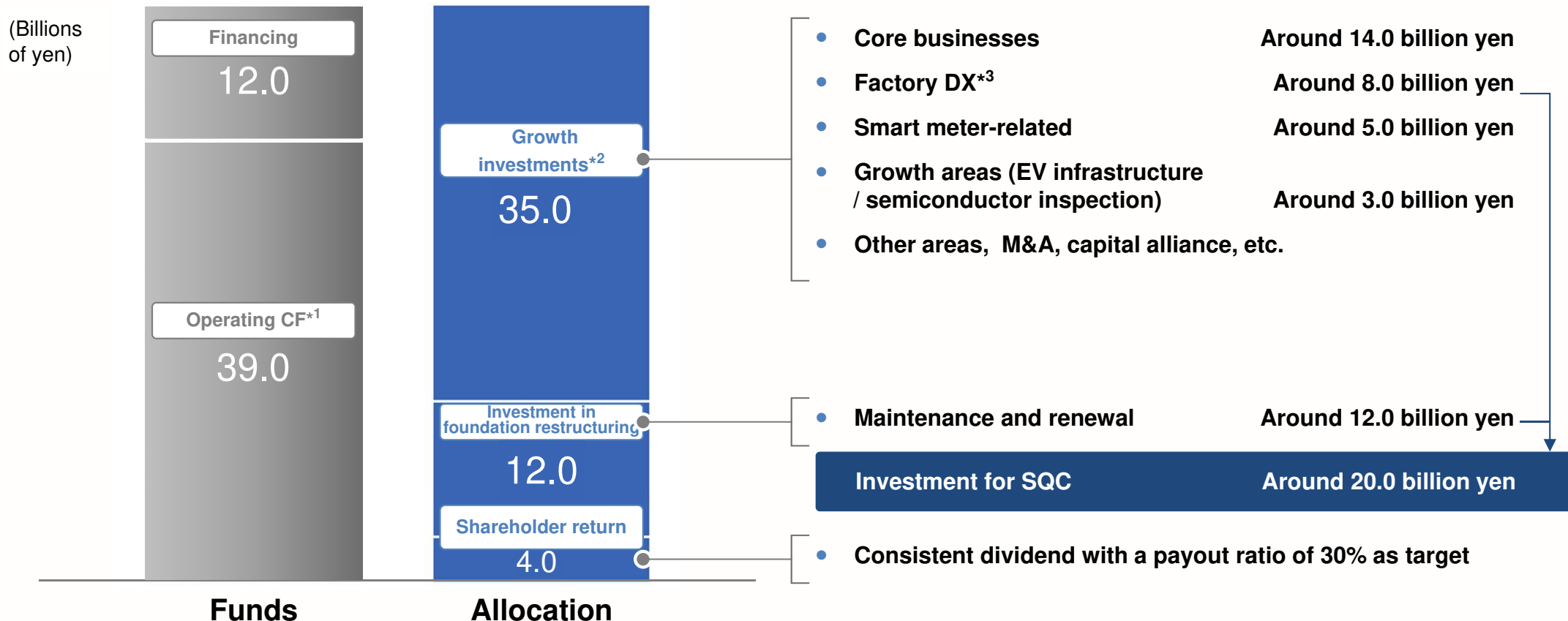


# 10. Financial strategies (Cash allocation)

- Plan to invest a total of 47.0 billion yen (including R&D expenditures), significantly increasing from the previous Medium-term Management Plan period (2021-2023: around 15.0 billion yen), to strengthen core businesses and establish the growth foundation for focus businesses in addition to ensuring SQC for factory DX, measures for aging facilities, etc.
- Review shareholder returns toward further expansion, as detailed on the next page
- These funds will be financed by operating cash flow as well as through the use of interest-bearing debt.

## Three-year cumulative total during the period of Medium-term Management Plan (2025-2027)

## Basic policy / allocation of growth funds according to investment priorities



\*1 Before deducting R&D expenditures

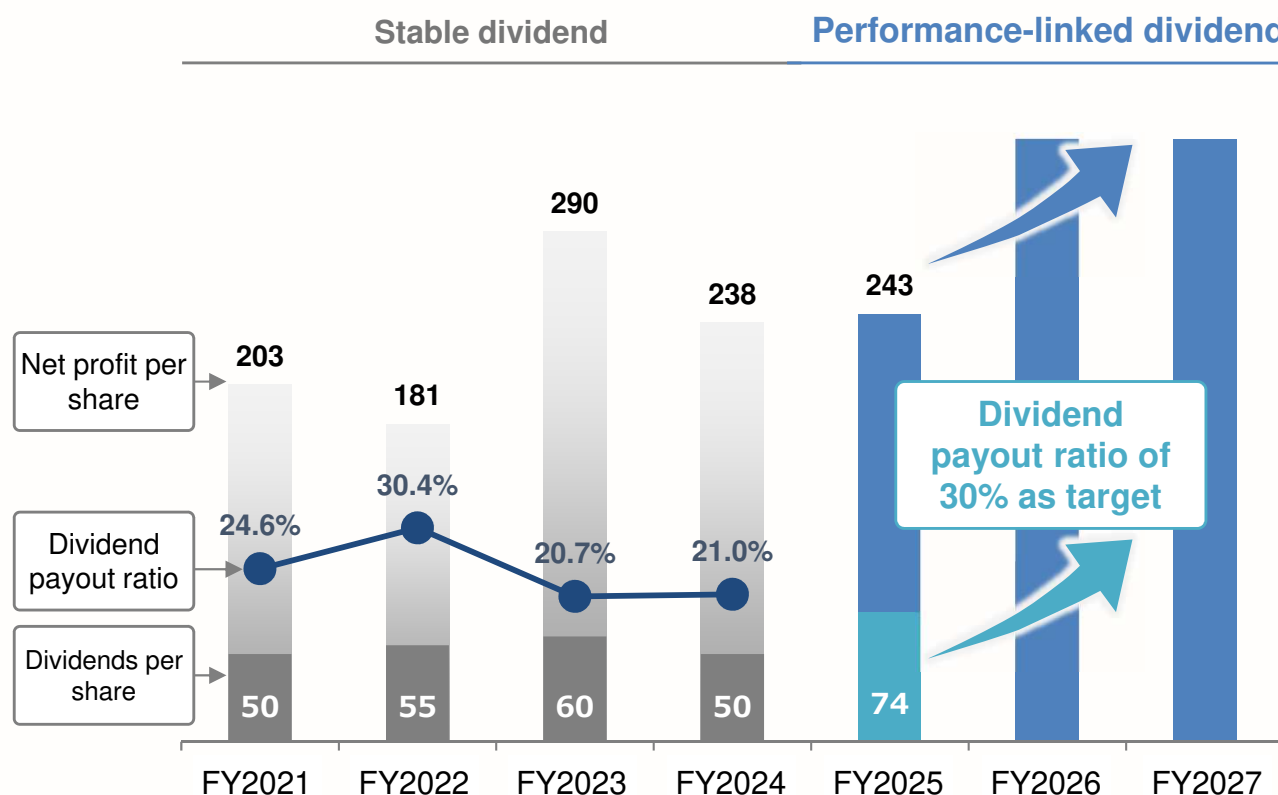
\*2 Including R&D expenditures

\*3 TAKAOKA TOKO, non-consolidated

# 10. Financial strategies (Shareholder return policy)

- Revise our shareholder return policy from “stable dividends” to “performance-linked dividends,” aiming to further increase shareholder returns while improving corporate value
- During the period of the Medium-term Management Plan 2027, target for dividend payout ratio is set at 30% considering the substantial amount of investment planned for SQC investment, strengthening core businesses, and building the growth foundation of focus businesses.

## Net profit per share (yen), dividend amount (yen) and dividend payout ratio



### Dividend policy

- **Performance-linked based on each fiscal year's results**
- **Dividend payout ratio of 30% as target**
  - In the event that profit attributable to owners of parent significantly fluctuates due to non-recurring special factors, the dividend amount may be determined taking into account the impact of such factors.
  - Applied from the fiscal year ending March 31, 2026 (FY2026)

# 11. Connection between materiality and Medium-term Management Plan 2027

Materiality	Opportunities / risks ☆: opportunities ★: risks	Medium-term Management Plan Basic policies	Key KGI* Items (including internal indicators)	Plan for FY2027
Contribution to stable supply and advanced use of electricity	☆ Occurrence of needs for renewal of aging facilities due to the revenue cap system	1 SQC First Reform	Net sales of the core businesses	81.0 billion yen
	☆ Occurrence of demand for installation of reception and substation equipment in line with investments for large-scale renewable energy generation, data center, etc.	2 Restoration and strengthening of core businesses	Net sales of the expansion areas and growth areas	39.0 billion yen
	☆ Increase in needs for visualization of electric power information	3 Rebuilding of a growth story		
	★ Improvement of QCDS level due to DX promotion by competitors, etc.			
Contribution to realization of carbon neutrality	☆ Increase in environmental awareness among users	3 Rebuilding of a growth story	Net sales of products and services that contribute to carbon neutrality	7.8 billion yen
	★ Promotion of distributed energy resource and regional microgrid	4 Strengthening of a management base	Implementation level of R&D for products and services that contribute to carbon neutrality	—
	★ Decrease in competitiveness due to delayed response		Reduction of Scope1 & 2 (FY2014 as base year)	46% or more
Creation of an organization where diverse people are motivated to co-create and keep challenging themselves	☆ Revitalization of the organization through high employee engagement	1 SQC First Reform	Percentage of female workers in managerial positions	3% or more
	★ Human capital outflow due to low engagement	4 Strengthening of a management base	Employment rate of people with disabilities	2.7% or more
	★ Intensifying competition for recruitment of digital talent		Employee happiness level (out of 10 points)	6.5 points or more
			Acceleration of kaizen and DX	—
Stakeholder engagement	☆ Decrease in cost of capital through assessment of ESG initiatives	2 Restoration and strengthening of core businesses	Evaluation score on the integrated report	—
	★ Increase in cost of capital due to low stock prices	4 Strengthening of a management base	PBR	1.0 times or more
	★ Occurrence of human rights issues such as forced labor in the supply chain		Implementation of supplier comprehensive assessments	—
Ensuring of safety, quality, compliance, and enhancement of governance	☆ Improvement of corporate value through governance with discipline	1 SQC First Reform	Implementation of SQC First Reform	—
	★ Decrease in awareness of laws, internal rules, etc.		Number of defects	—
	★ Increase in cybersecurity risks associated with the advancement of digitalization		Number of work stoppage accidents	—

\*KGI includes items and targets that are not disclosed.

I. Review of Business Activities

II. Establishment of New Management

Philosophy

III. Medium-term Management Plan 2027

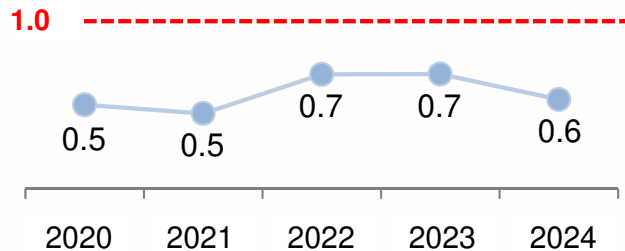
**IV. Action to implement management that is  
conscious of cost of capital and stock price**

# 1. Analysis of current situation

- While the Group's PBR is rising, it has remained below the target level of 1.0.
- The main cause of this is the low level of ROE (remaining below 8%, with the exception of FY2023). Breaking down ROE, we recognize that improvement of the return on sales is a challenge.
- Regarding PER, we recognize the importance of strengthening engagement by promoting dialogue with stakeholders.

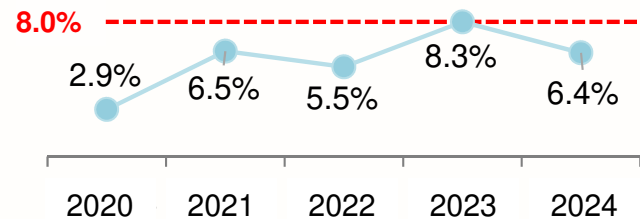
## PBR (times)

Continued to be less than 1.0 times

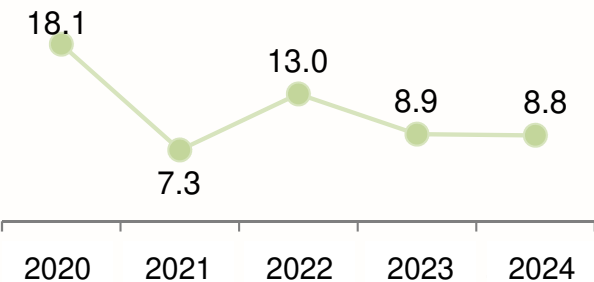


## ROE (%)

Below 8.0% despite improving trend



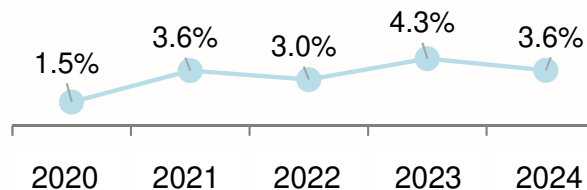
## PER (times)



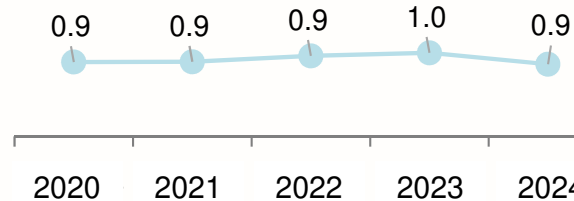
## Breakdown of ROE

### Return on sales (%)

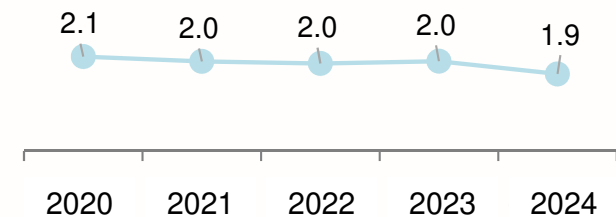
Improvement of return on sales as a challenge



### Total asset turnover (times)



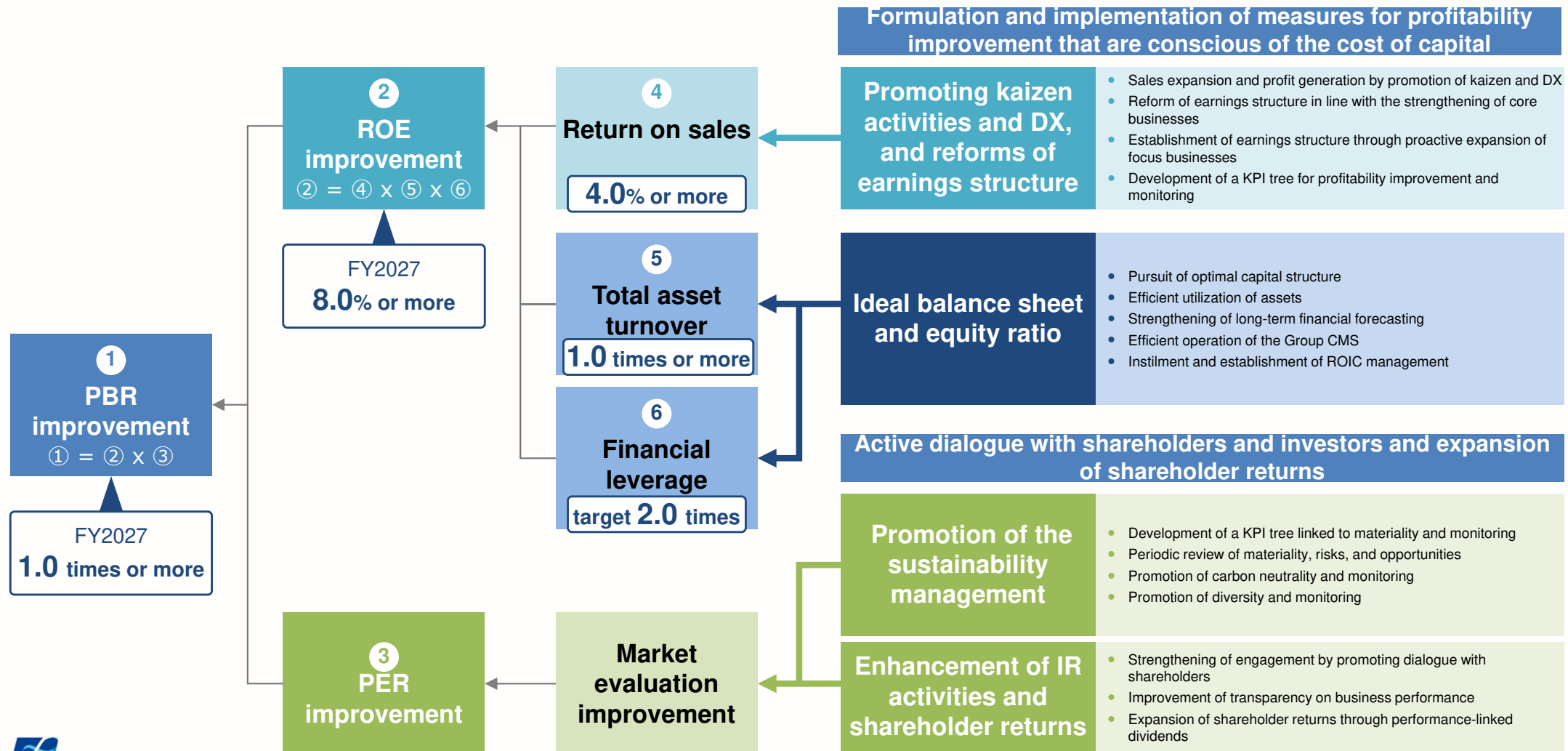
### Financial leverage (times)





## 2. Initiatives for improvement of PBR

- To achieve ROE of 8.0% or more, we will increase the return on sales by thoroughly promoting kaizen activities and DX, as well as reforms of earnings structure that are conscious of cost of capital.
- Further, to increase PER, we will promote sustainability management, strengthen IR activities, and expand shareholder returns.
- By implementing these measures, we will aim to achieve a PBR of 1.0 or more in FY2027.





Notes regarding forward-looking statements  
Figures regarding future plans contained in this document are based on the information currently available to the Company. Actual financial results may differ greatly due to various factors in the future.

