

TAKAOKA TOKO CO., LTD.

Stock Exchange Code: 6617



The **13th** Fiscal Year **Interim Report**

April 1, 2024 ▶ September 30, 2024



SEERA

Seamless Energy Relations
& Activation



Let me express my heartfelt gratitude to all shareholders for their continued support.

I hereby present the 13th Fiscal Year Interim Report (from April 1, 2024 to September 30, 2024) of TAKAOKA TOKO (the “Company”) and report on the overview of our business.

Takashi Ichinose

President and Representative Director
TAKAOKA TOKO CO., LTD.

Progress and Results of Business Operations

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”), based on recommendations in the respective reports (interim, supplementary, and final reports) received from the investigation and verification committee. (Announced on October 28, 2024)

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.

For the details of the announcements made on September 19 and October 28, please refer to the enclosed “Report on the SQC First Reform Based on the Review of and Lessons Learned from the Series of Incidents of Impropriety.”

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 the backdrop of the situation in Ukraine and competition has further intensified in the retail business amid growing demands for realizing carbon neutrality, ensuring a stable electricity supply, 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 become 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.ttkk.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 yen (down 13.7% year on year), and profit attributable to owners of parent decreased to 1,094 million yen (down 24.2% year on year), mainly due to an increase of R&D expenses.

Outlook for the Fiscal Year

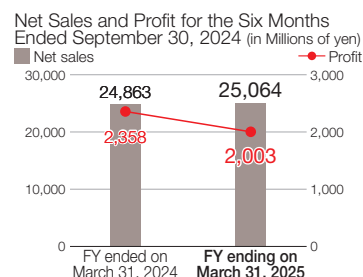
Regarding the full-year consolidated financial results forecast, we have made changes to the consolidated financial results forecast announced on April 25, 2024 as follows, due to the expectation of an upturn in the financial results reflecting the increases in sales for general plant projects, smart meters, and replacement of expired meters, estimating net sales of 106,000 million yen, operating profit of 5,000 million yen, ordinary profit of 5,200 million yen, and profit attributable to owners of parent of 3,200 million yen.

The forecast for interim dividend remains unchanged at 25 yen per share, by comprehensively taking into account the business environment based on the policy of “stable dividends.”

Electric Equipment Business

Major products and services	Equipment for power receiving, transforming and distribution, monitoring and control systems, control equipment, etc.
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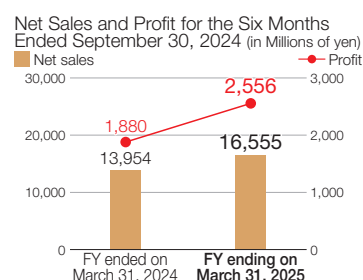
Net sales for the segment as a whole increased to 25,064 million yen (up 0.8% year on year) due to increases in sales for general plant projects and extra-high-voltage power receiving and transforming equipment, including disconnectors. This, however, was not enough to cover the decline in overseas construction projects and power distribution equipment, and segment profit decreased to 2,003 million yen (down 15.1% year on year).



Metering Business

Major products and services	Transformers, various types of meters (for electricity, gas, and water services), undertaking replacement of expired meters (*), etc. * "Replacement of expired meters" means the replacement work of electric meters conducted pursuant to the Measurement Act.
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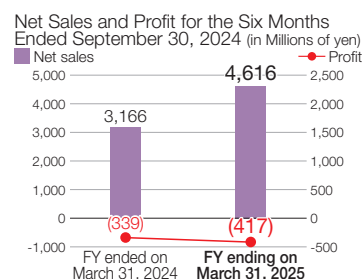
Net sales for the segment as a whole rose to 16,555 million yen (up 18.6% year on year) due to increases in sales for smart meters and replacement of expired meters, with segment profit increasing to 2,556 million yen (up 35.9% year on year).



GX Solution Business

Major products and services	Energy metering and control equipment, quick chargers for electric vehicles, embedded software, thin client systems ^(*) , smart grid business, PPP ^(*) /PF ^(*) business, etc. (*) A "thin client system" is a simple structured terminal for information networks with a simple structure, which has no application software or data, with no external memory devices or hard disks on the terminal side. It has superiority in preventing leakage of information, including personal information. (*) Public Private Partnership (PPP) is a concept of utilizing wide-ranging private sector know-how and technologies to improve administrative services and achieve the efficient use of public financing through public-private partnerships. (*) Private Finance Initiative (PFI) is a method for the construction, maintenance, and operation of public facilities utilizing private financing, management capabilities, and technical abilities.
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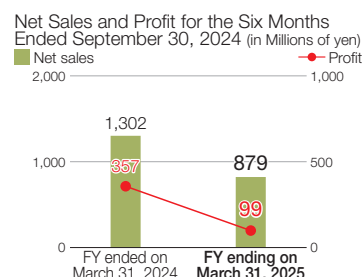
Net sales for the segment as a whole increased to 4,616 million yen (up 45.8% year on year) due to an increase in EV charger sales. Segment loss, however, expanded to 417 million yen (compared to segment loss of 339 million yen in the previous fiscal year) due to an increase of R&D expenses.



Applied Optics Inspection System Business

Major products and services	3D inspection systems (*), etc. (*) A "3D inspection system" means a system to measure and inspect the external appearance (height, depth, and surface form) of electronic circuit substrates.
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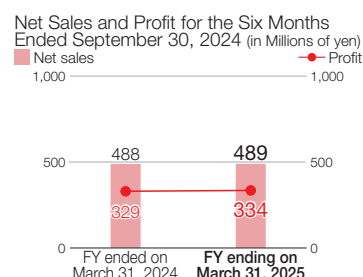
Sales of 3D inspection system decreased due to investment restraint in the semiconductor industry. As a result, net sales for the segment as a whole decreased to 879 million yen (down 32.4% year on year) and segment profit also decreased to 99 million yen (down 72.2% year on year).



Other Businesses

Major products and services	Real estate leasing of office buildings, etc.
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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).



Initiatives for Digitalization

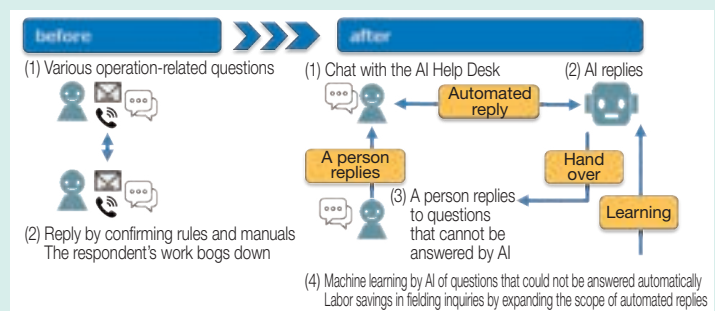
The Company has long been working on digital transformation of factories. Recently, as part of reform measures in response to the incidents of impropriety, we have been focusing on “the digitalization of manufacturing and inspection check sheets,” “visualizing work person-hours,” and “automation of manufacturing and inspection lines.” As for “the digitalization of manufacturing and inspection check sheets,” we have built a system, among others, that prevents entry errors and omissions by importing data directly from measuring instruments. By “visualizing work person-hours,” we visualize the work person-hours from tablets and sensors and utilize such information for the “Kaizen (improvement of efficiency and productivity)” of bottlenecks and processes discovered to be adversely impacting business efficiency and productivity. In “the automation of manufacturing and inspection lines,” we are working on advancing automation through the use of sensors and robots consistent with the update of facilities.

We also launched our AI Help Desk run by generative AI as a labor-saving measure for tasks involving fielding inquiries addressed to the corporate divisions and to speed up the responses. Previously, inquiries to each division were dealt with directly by the relevant staff but having the AI understand and automatically reply to the question, it is now possible to speed up the replies and improve the business efficiency of the staff. With further AI machine learning, we can expect even greater labor savings and speed.

Going forward, we will make further efforts toward digitalization to improve the Company's quality, operational efficiency, and productivity.



Automated inspections using robots



Conceptual diagram of the AI Help Desk

Initiatives for Promoting Diversity

The Company promotes diversity and aims to become “an attractive company” to outside stakeholders and “a happy place to work” for its employees. We established the Diversity Promotion Committee chaired by the CHRO and are advancing various initiatives under the strong commitment of management.

In the fiscal year ending March 31, 2025, we are proactively promoting diversity by pushing such initiatives as nurturing female candidates for managerial positions and their superiors, the “roundtable discussions for fathers” to encourage male employees to take childcare leave, the corporate endorsement of “IKUKYU.PJT,”*1 a project to encourage taking childcare leave by men, basic training on LGBTQ+, adoption of the system for same-sex partnerships, setting up a system for LGBTQ+ and their partners to use their common names in the company, and corporate endorsements of outside campaigns such as “Business for Marriage Equality”*2 and “Business Support for LGBT Equality in Japan.”*3

In addition to promoting diversity, we will expand our initiatives to include building a system for autonomous career development and improving the work-life balance of employees, as well as work toward further enhancement of corporate value and employee engagement.

*1: A project by Sekisui House and companies that support achieving “a society where it is commonplace for men to take childcare leave” to make September 19 a day to “think about childcare leave” and take actions across industries to enable men to take childcare leave.

*2: A campaign to visualize companies that support the legislation for same-sex marriage (marriage equality) in Japan.

*3: A campaign to support the adoption of the LGBT Equality Act in Japan aiming to build a workplace and society where everyone is treated equally.

19 #育休を考える日

Logo of “IKUKYU.PJT”

love
Business for Marriage Equality

Logo of “Business for Marriage Equality”

#EqualityActJapan
日本にもLGBT平等法を

Logo of “Business Support for LGBT Equality in Japan”

Overview of Consolidated Financial Statements

Consolidated Balance Sheets (in Millions of yen)

Item	As of March 31, 2024	As of September 30, 2024
[Assets]		
Current assets	74,687	66,507
Non-current assets	41,940	42,510
Property, plant and equipment	34,607	35,414
Intangible assets	1,943	1,901
Investments and other assets	5,389	5,194
Total assets	116,627	109,017
[Liabilities]		
Current liabilities	31,884	24,850
Non-current liabilities	20,903	20,053
Total liabilities	52,788	44,904
[Net assets]		
Shareholders' equity	56,874	57,409
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

Note: Amounts less than one million yen have been truncated.

Consolidated Statements of Income (in Millions of yen)

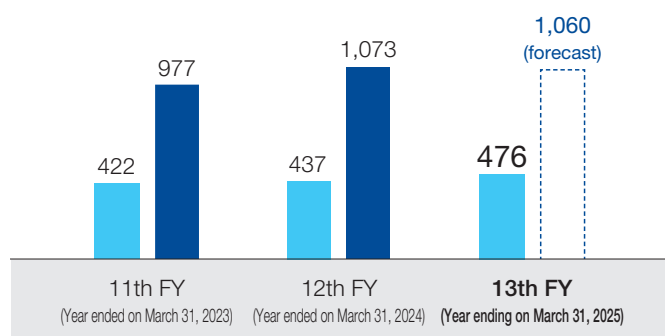
Item	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	43,774	47,606
Cost of sales	32,931	36,183
Gross profit	10,842	11,422
Selling, general and administrative expenses	8,589	9,460
Operating profit	2,253	1,961
Non-operating income	214	167
Non-operating expenses	60	51
Ordinary profit	2,406	2,077
Extraordinary income	3	92
Extraordinary losses	96	76
Profit before income taxes	2,313	2,093
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

Note: Amounts less than one million yen have been truncated.

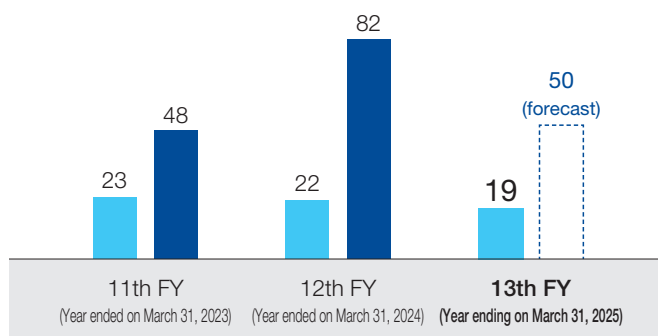
Consolidated Financial Highlights

■ First Half FY ■ Full FY

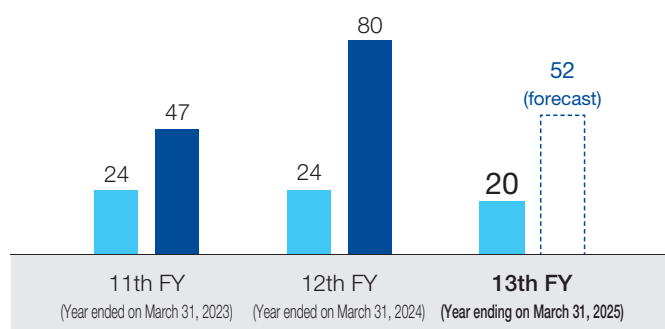
Net sales (in Hundred millions of yen)



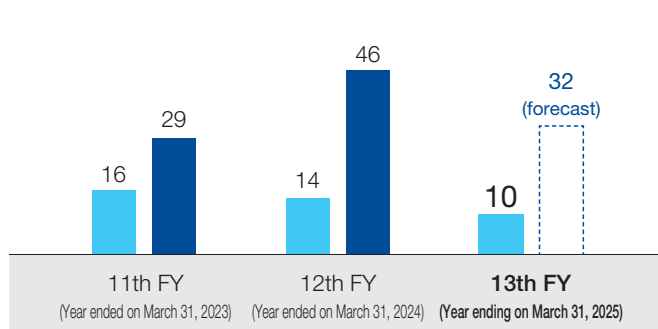
Operating profit (in Hundred millions of yen)



Ordinary profit (in Hundred millions of yen)



Profit attributable to owners of parent (in Hundred millions of yen)



Note: Amounts less than one hundred million yen have been truncated.

Company Profile

Company Name: TAKAOKA TOKO CO., LTD.

Established on: October 1, 2012

Capital: 8 billion yen

Head Office: 8F Toyosu Prime Square
5-6-36 Toyosu, Koto-ku, Tokyo 135-0061 Japan
TEL: +81-3-6371-5000
FAX: +81-3-6371-5436

Group Companies: Takaoka Engineering Co., Ltd.
TAKAOKA CHEMICAL CO., LTD.
Toko Kizai Corporation
Takaoka Densetsu Co., Ltd.
Applied Technical Systems Joint Stock Company
WATT LINE SERVICE Co., Ltd.
Toko Electric (Suzhou) Co., Ltd.
Toshiba Toko Meter Systems Co., Ltd.
TOKO TAKAOKA KOREA CO., LTD.
TACTICO, Ltd.
MintWave Co., Ltd.

Directors (As of October 28, 2024)

President and Representative Director	Takashi Ichinose	Director (Full-Time Audit and Supervisory Committee Member)	Tatsuya Wakayama
Director	Kunihiko Mizumoto	Director (Audit and Supervisory Committee Member)	Yuichiro Takada
Director	Yoshinori Kaneko	Director (Audit and Supervisory Committee Member)	Kishiko Wada
Director	Yasuhiro Mishima	Director (Audit and Supervisory Committee Member)	Seiji Moriya
Director	Akira Uemura		

*1: Director Hiroto Suzuki retired through resignation on October 28, 2024.
*2: Directors Yoshinori Kaneko, Yasuhiro Mishima, Akira Uemura, Yuichiro Takada, Kishiko Wada, and Seiji Moriya are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

Share Information

Total number of authorized shares 40,000,000

Total number of outstanding shares 16,214,588
(Excluding 61,717 treasury shares)

Number of shareholders 11,547

List of Major Shareholders (Top 10)

Name of Shareholder	Shares Held (shares)	Shareholding Ratio (%)
TEPCO Power Grid, Incorporated	5,671,260	34.97
The Master Trust Bank of Japan, Ltd. (Trust account)	1,575,100	9.71
Custody Bank of Japan, Ltd. (Trust account)	785,100	4.84
LIM JAPAN EVENT MASTER FUND	286,000	1.76
RE FUND 107-CLIENT AC	280,323	1.72
TAKAOKA TOKO Employees' Stock Holding Association	276,599	1.70
TAIJU LIFE INSURANCE COMPANY LIMITED	209,700	1.29
DFA INTL SMALL CAP VALUE PORTFOLIO	206,144	1.27
Meiji Yasuda Life Insurance Company	200,000	1.23
CACEIS BANK, LUXEMBOURG BRANCH / UCITS CLIENTS ASSETS	182,700	1.12

Note: Shareholding ratios are calculated after deducting treasury shares (61,717 shares).

Shareholder Memo

Fiscal year: April 1 through March 31 of the following year

Annual general meeting of shareholders: Late June every year

Record date

Voting rights at an annual general meeting of shareholders: March 31

Year-end dividends: March 31

Interim dividends: September 30

Number of shares per unit: 100

Administrator of shareholder registry:

Sumitomo Mitsui Trust Bank, Limited

1-4-1 Marunouchi, Chiyoda-ku, Tokyo

Mailing address:

(Contact for telephone inquiries)

Stock Transfer Agency Department

Sumitomo Mitsui Trust Bank, Limited

2-8-4 Izumi, Suginami-ku, Tokyo 168-0063 Japan

Tel. 0120-782-031 (toll-free in Japan)

Contact points: Sumitomo Mitsui Trust Bank, Limited

Main office and branches across the country

Method of public notices

Public notices of the Company shall be published on its website described below: <https://www.tktk.co.jp/ir/stockinfo/publicnotice/>

Financial instruments exchange on which the Company's stock is listed:

Prime Market of the Tokyo Stock Exchange

■ Contact information for changes in addresses, purchase of shares less than one unit and other requests:

Please contact the securities company where you have accounts.

Shareholders who hold special accounts in lieu of accounts at securities companies are requested to contact Sumitomo Mitsui Trust Bank, Limited, the account manager for special accounts.

Requests for forms pertaining to procedures for special accounts are also handled at the following URL:

<https://www.smtb.jp/personal/procedure/agency/>

■ Payment of unclaimed dividends:

Please contact Sumitomo Mitsui Trust Bank, Limited, the administrator of the share registry.

“SERA”

Designing the Future EV Energy Network

SERA is the new brand name of TAKAOKA TOKO CO., LTD., which boasts the No.1 cumulative sales of rapid EV charger units in Japan.
In addition to its original meaning of “future existence,” SERA also stands for Seamless, Energy, Relations, and Activation, and represents our commitment to seamlessly connecting and activating energy.

For the next-generation EV energy network

Our brand mission is to achieve a society based on a new type of energy and create “new types of time and experiences” that will shine a light on the future.

