



**TAKAOKA TOKO CO., LTD.**

Stock Exchange Code: 6617



# The 9<sup>th</sup> Fiscal Year Business Report

April 1, 2020 >>> March 31, 2021



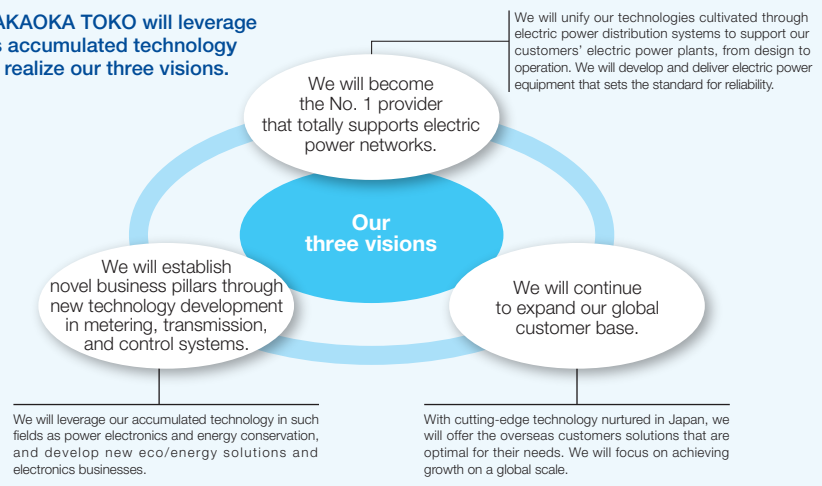
**Takashi Ichinose**

President and Representative Director  
TAKAOKA TOKO CO., LTD.

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

I hereby present the 9<sup>th</sup> Fiscal Year Report (from April 1, 2020 to March 31, 2021) of TAKAOKA TOKO (the “Company”) and report on the overview of our business.

**TAKAOKA TOKO will leverage its accumulated technology to realize our three visions.**



We will unify our technologies cultivated through electric power distribution systems to support our customers' electric power plants, from design to operation. We will develop and deliver electric power equipment that sets the standard for reliability.

We will become the No. 1 provider that totally supports electric power networks.

**Our three visions**

We will establish novel business pillars through new technology development in metering, transmission, and control systems.

We will continue to expand our global customer base.

We will leverage our accumulated technology in such fields as power electronics and energy conservation, and develop new eco/energy solutions and electronics businesses.

With cutting-edge technology nurtured in Japan, we will offer the overseas customers solutions that are optimal for their needs. We will focus on achieving growth on a global scale.

## Progress and Results of Business Operations

During the fiscal year under review, the Japanese economy remained in a severe situation due to the spread of the novel coronavirus (COVID-19). The impact that COVID-19 will have on social and economic activities remains uncertain.

In the electric power industry, the largest clientele of the TAKAOKA TOKO Group (the “Group”), competition is intensifying across business fields and regions due to the full liberalization of the electricity retail market, and efforts are being made towards improved productivity and thorough cost reductions as domestic energy demand continues to decrease following advance in energy saving, etc. Meanwhile, the further expansion of decentralized energy-related equipment, including renewable energy equipment, and the full-scale start of demand for quick chargers for electric vehicles is expected due to the Japanese Government’s announcement that it aims to become carbon neutral by 2050 as part of its efforts to realize a green society.

In such a business environment, the Company has been working on improved productivity by involving all employees working as one on Kaizen (improvement) activities, cost reductions, procurement reforms, active participation in proposal-type projects by local governments, new product launches, improved profitability of existing business through investment in digitalization, the establishment of new profitable business centered on energy management systems, and improved product quality in accordance with the three basic policies of “improving the profitability of existing businesses,” “building new earnings bases,” and “strengthening the management base” under the “TAKAOKA TOKO Group Fiscal Year 2020 Medium-Term Management Plan.”

As a result, for the consolidated fiscal year under review, we posted net sales of ¥91,939 million (a year-on-year decrease of 1.5%) due to a decrease in overseas construction projects, despite an increase in plants.

In terms of profit, we posted operating income of 3,382 million yen (a year-on-year increase of 45.7%), ordinary income of 3,402 million yen (a year-on-year increase of 51.0%) and profit attributed to shareholders of the parent company of 1,408 million yen (a year-on-year increase of 67.0%), due to fluctuations in the model composition and cost reductions.

## Issues to Be Addressed

### 1) Basic policy on company management

The Group’s corporate philosophy is “to create new value together with our customers,” “to reach the highest level of manufacturing,” and “to constantly strive to create boundless, innovative changes,” and we aim to create a company that values our customers’ trust in us and a passion for technology, and that continues to explore new possibilities. As a company that totally supports electric power networks, we will contribute to a “sustainable society” by engaging in multiple businesses ranging from our conventional business of the provision of electric power distribution systems or physical networks to a business that responds to the sophistication and diversification of energy use.

### 2) Issues to be addressed

In the electric power industry, the largest clientele of the Group, competition is intensifying across business fields and regions due to the full liberalization of the electricity retail market, and efforts are being made towards improved productivity and thorough cost reductions as domestic energy demand continues to decrease following advance in energy saving, etc.

Meanwhile, the further expansion of decentralized energy-related equipment, including renewable energy equipment, and the full-scale start of demand for quick chargers for electric vehicles is expected due to the Japanese Government’s announcement that it aims to become carbon neutral by 2050 as part of its efforts to realize a green society.

In such a business environment, the Group formulated the “2030 Vision & Medium-Term Management Plan 2023” in April 2021.

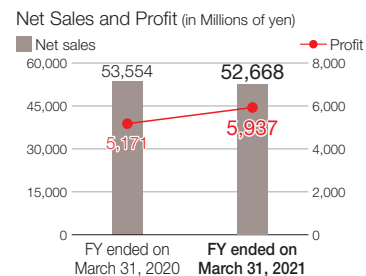
# Status by Segment

The status of each segment is as follows.

## Electric Equipment Business

Major products and services	Equipment for power receiving, transforming and distribution, monitoring and control systems, control equipment, etc.
Basic strategies of the segment	<ul style="list-style-type: none"> <li>Reduction of all product costs and acceleration of the development of new products</li> <li>Sales expansion in social infrastructure areas and to regional electric power companies</li> <li>Building bases for overseas business</li> </ul>

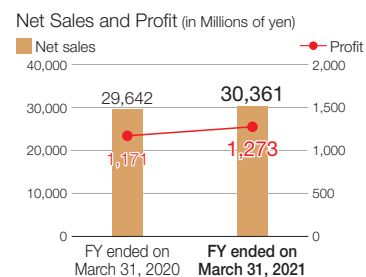
We achieved net sales of 52,668 million yen (a year-on-year decrease of 1.7%) and segment profit of 5,937 million yen (a year-on-year increase of 14.8%), mainly due to a decline in net sales of overseas construction projects, fluctuations in the model composition and cost reductions, despite an increase in plants.



## Metering Business

Major products and services	Transformers, various types of meters (for electricity, gas, and water services), undertaking replacement of expired meters <sup>(1)</sup> , etc. <small>**"Replacement of expired meters" means the replacement work of electric meters conducted pursuant to the Measurement Act.</small>
Basic strategies of the segment	<ul style="list-style-type: none"> <li>Enhancement of the product lineup of transformers compatible with the separation of electrical power production from power distribution and transmission</li> <li>Establishment of efficient production systems in Japan, China and Korea</li> </ul>

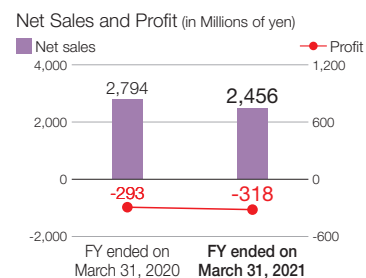
We achieved net sales of 30,361 million yen (a year-on-year increase of 2.4%) and segment profit of 1,273 million yen (a year-on-year increase of 8.7%), due to increases in sales of smart meters and transformers.



## Energy Solution Business

Major products and services	Energy metering and control equipment, quick chargers for electric vehicles, etc.
Basic strategies of the segment	<ul style="list-style-type: none"> <li>Leading the market for quick chargers for electric vehicles</li> <li>Expansion of businesses related to smart grids</li> </ul>

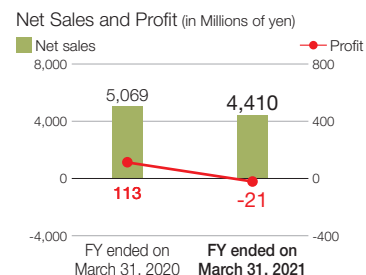
We achieved net sales of 2,456 million yen (a year-on-year decrease of 12.1%) and segment loss of 318 million yen (segment profit of 293 million yen in the corresponding period of the previous fiscal year), due to a decrease in EMS-related net sales.



## Information System/Applied Optics Inspection System Business

Major products and services	3D inspection systems <sup>(1)</sup> , thin client systems <sup>(2)</sup> , embedded software, etc. <small>*1 A "3D inspection system" means a system to measure and inspect external appearance (height, depth and surface form) of electronic circuit substrates.  <small>*2 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.</small></small>
Basic strategies of the segment	<ul style="list-style-type: none"> <li>Promotion of cost reductions in inspection systems and strengthening of overseas sales</li> <li>New product development in solutions and communication systems</li> </ul>

We achieved net sales of 4,410 million yen (a year-on-year decrease of 13.0%) and segment loss of 21 million yen (segment profit of 113 million yen in the corresponding period of the previous fiscal year), due to a decrease in net sales of mechatronics equipment.



## 1. 2030 VISION

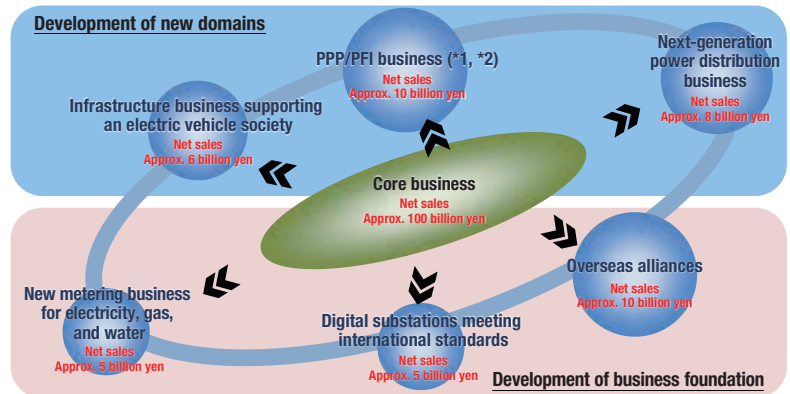
We will contribute to a “sustainable society” by engaging in multiple businesses ranging from our conventional business of the provision of electric power distribution systems or physical networks to a business that responds to the sophistication and diversification of energy use.

To achieve this, we aim to become a comprehensive energy service provider by developing six business fields.

We aim to restructure and expand our core business to increase its net sales to 100 billion yen, and create net sales of 40 billion yen to 50 billion yen through a new business portfolio.

(\*1) Public Private Partnership (PPP) is a concept of utilizing wide-ranging public sector know-how and technologies to improve administrative services and achieve the efficient use of public financing through public-private partnerships.

(\*2) Private Finance Initiative (PFI) is a method for construction, maintenance, and operation of public facilities utilizing private financing, management capabilities and technical abilities.



## ESG Management

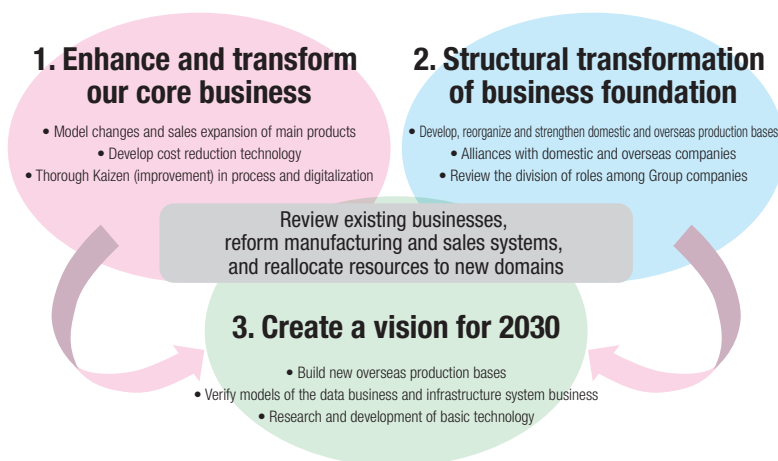
We will operate the Company while striving to achieve SDGs in order to contribute to the realization of a “sustainable society” through our business activities.

ESG	Environment	Social	Governance
<b>New initiatives</b>	<ul style="list-style-type: none"> <li>Develop equipment with a low environmental burden (vegetable oil transformers, environmentally friendly gas-compatible GIS, etc.)</li> <li>Products and services that firmly support business operations using renewable energy (lightning current measuring devices for wind power generation)</li> <li>Propose charging infrastructure and services to support the widespread use of electric vehicles (large-capacity quick chargers)</li> <li>Products and services that support the digitalization of energy conservation and management in the energy business</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen relationships with stakeholders, including employees (diversity, workstyle reforms, etc.)</li> <li>Educate employees to have them acquire new skills and demonstrate their potential to increase value</li> <li>Contribute to comfortable lifestyles in the safe, secure and living infrastructure of local communities (service activities, disaster prevention agreements, etc.)</li> <li>Contribution to regions overseas where sufficient electricity is not available (overseas EPC business)</li> </ul>	<ul style="list-style-type: none"> <li>Prompt management decisions through organizational reforms in accordance with the times</li> <li>Management that incorporates supervisory functions from an external perspective that is not simply in line with the Company's own views</li> <li>Rapid composition of management information and support for decision-making utilizing digital technology</li> </ul>
<b>SDGs</b>			

## 2. Medium-Term Management Plan 2023

We will rebuild the foundations for 2030 based on the three basic policies below.

Initiatives by each segment are as follows.



<b>Electric Equipment Business</b>	<ul style="list-style-type: none"> <li>Improve profitability through model changes in large-scale transformers, switching equipment, and switches, and by reducing costs through expanded overseas procurement</li> <li>Promote the construction of overseas production bases through overseas alliances, the establishment of sensing technology for digital substations, and the development of environmentally friendly equipment toward 2030</li> </ul>
<b>Metering Business</b>	<ul style="list-style-type: none"> <li>Improve profitability by restructuring the smart meter business and through overseas production in the transformer business</li> <li>Market exploration in the area of data businesses for electricity, gas, and water, and development of next-generation smart meters</li> </ul>
<b>Energy Solution Business</b>	<ul style="list-style-type: none"> <li>Further increase our market share, which is in the No. 1 position in Japan, by launching new types of quick chargers</li> <li>Develop next-generation EMS for the advanced utilization of technology for energy saving and renewable energy</li> </ul>
<b>Information System/Applied Optics Inspection System Business</b>	<ul style="list-style-type: none"> <li>Establish a mass production system for 3D inspection systems in response to growing demand, and develop new overseas customers</li> <li>Increase sales of thin client terminals with a view to life with and after COVID-19</li> </ul>

Following the basic policies under the 2023 Medium-Term Management Plan 2023, the Company has set targets based on the performance indicators below.

	FY2020 (Actual)	FY2021 (Targets)	FY2023 (Targets)
Net sales	91.9 billion yen	88.0 billion yen	90.0 billion yen
Operating income (Operating margin)	3.3 billion yen (3.7%)	2.7 billion yen (3.1%)	4.0 billion yen (4.4%)
Profit attributed to shareholders of the parent company	1.4 billion yen	1.6 billion yen	2.5 billion yen
Return on Equity (ROE)	2.9%	3.2%	5.0%
Return on Assets (ROA: Net income/Total assets)	1.4%	1.6%	2.4%

# Overview of Consolidated Financial Statements

## Consolidated Balance Sheets (in Millions of yen)

Item	Previous Fiscal Year As of March 31, 2020	Current Fiscal Year As of March 31, 2021
<b>[Assets]</b>		
<b>Current Assets</b>	<b>56,108</b>	<b>58,528</b>
<b>Non-current Assets</b>	<b>44,484</b>	<b>42,487</b>
Property, plants and equipment	37,154	35,551
Intangible assets	2,673	2,132
Investments and other assets	4,656	4,802
<b>Total Assets</b>	<b>100,592</b>	<b>101,015</b>
<b>[Liabilities]</b>		
<b>Current Liabilities</b>	<b>28,091</b>	<b>28,680</b>
<b>Long-term Liabilities</b>	<b>21,054</b>	<b>19,806</b>
<b>Total Liabilities</b>	<b>49,146</b>	<b>48,487</b>
<b>[Net Assets]</b>		
<b>Shareholders' Equity</b>	<b>48,137</b>	<b>48,744</b>
<b>Accumulated other comprehensive income</b>	<b>(607)</b>	<b>432</b>
<b>Non-controlling interests</b>	<b>3,916</b>	<b>3,350</b>
<b>Total Net Assets</b>	<b>51,446</b>	<b>52,528</b>
<b>Total Liabilities and Net Assets</b>	<b>100,592</b>	<b>101,015</b>

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

## Consolidated Statements of Income (in Millions of yen)

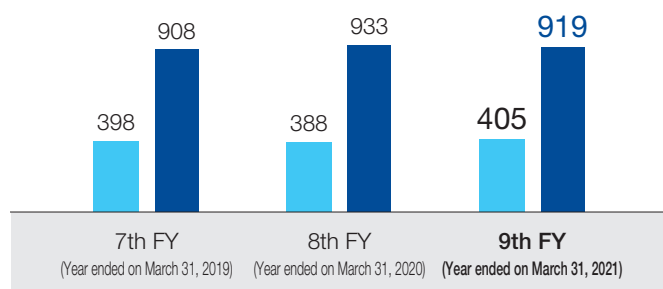
Item	Previous FY From April 1, 2019 to March 31, 2020	Current FY From April 1, 2020 to March 31, 2021
<b>Net sales</b>	<b>93,341</b>	<b>91,939</b>
<b>Cost of sales</b>	<b>75,020</b>	<b>72,809</b>
<b>Gross profit</b>	<b>18,320</b>	<b>19,129</b>
<b>General and administrative expenses</b>	<b>15,998</b>	<b>15,747</b>
<b>Operating income</b>	<b>2,321</b>	<b>3,382</b>
<b>Non-operating income</b>	<b>237</b>	<b>229</b>
<b>Non-operating expenses</b>	<b>305</b>	<b>208</b>
<b>Ordinary income</b>	<b>2,253</b>	<b>3,402</b>
<b>Extraordinary income</b>	<b>15</b>	<b>76</b>
<b>Extraordinary loss</b>	<b>539</b>	<b>1,082</b>
<b>Income before taxes</b>	<b>1,728</b>	<b>2,396</b>
<b>Income taxes</b>	<b>1,078</b>	<b>1,554</b>
<b>Net income</b>	<b>650</b>	<b>842</b>
<b>Profit attributed to non-controlling interests</b>	<b>(192)</b>	<b>(566)</b>
<b>Profit attributed to shareholders of the parent company</b>	<b>843</b>	<b>1,408</b>

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

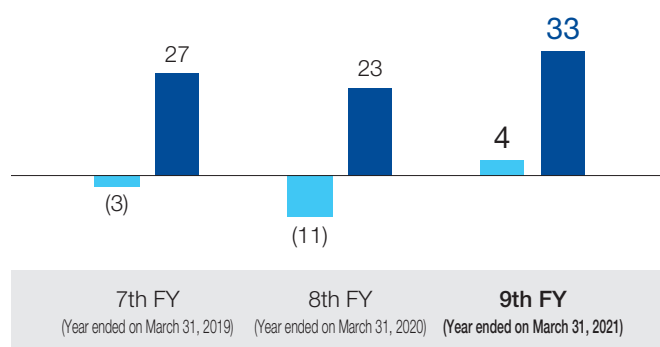
## Consolidated Financial Highlights

■ First Half FY ■ Full FY

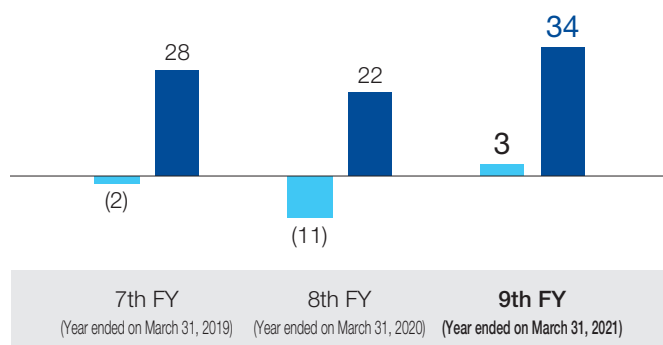
### Net sales (in Hundred millions of yen)



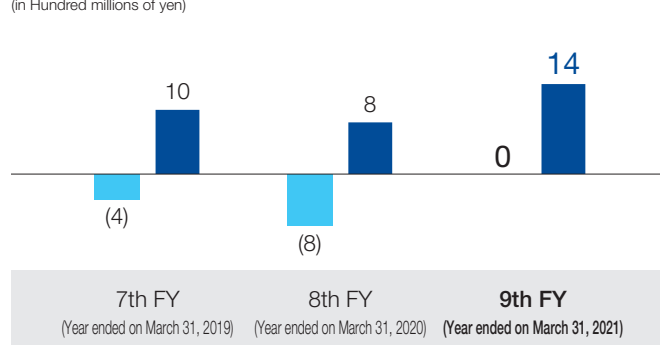
### Operating income (in Hundred millions of yen)



### Ordinary income (in Hundred millions of yen)



### Profit attributed to shareholders of the parent company (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

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

## Directors (as of June 28, 2021)

President and Representative Director	<b>Takashi Ichinose</b>	Director	<b>Akira Uemura</b>
Director	<b>Takenori Fujii</b>	Director (Full-Time Audit and Supervisory Committee Member)	<b>Yoshinori Kurosawa</b>
Director	<b>Tatsuya Wakayama</b>	Director (Audit and Supervisory Committee Member)	<b>Noriaki Taketani</b>
Director	<b>Yoshinori Kaneko</b>	Director (Audit and Supervisory Committee Member)	<b>Yuichiro Takada</b>
Director	<b>Harunobu Kameyama</b>		
Director	<b>Yasuhiro Mishima</b>		

\* Directors Yoshinori Kaneko, Harunobu Kameyama, Yasuhiro Mishima, Akira Uemura, Noriaki Taketani and Yuichiro Takada 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: 16,217,247  
(Excluding 59,058 treasury shares)

Number of shareholders: 14,056

### 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)	652,200	4.02
Custody Bank of Japan, Ltd. (Trust account)	288,800	1.78
TAKAOKA TOKO Employees' Stock Holding Association	281,502	1.73
TAIJU LIFE INSURANCE COMPANY LIMITED	209,700	1.29
Meiji Yasuda Life Insurance Company	200,000	1.23
DFA INTL SMALL CAP VALUE PORTFOLIO	196,144	1.20
Sumitomo Mitsui Trust Bank, Limited	178,700	1.10
Custody Bank of Japan, Ltd. (Trust account 5)	154,900	0.95
Mizuho Bank, Ltd.	149,600	0.92

Note: Shareholding ratios are calculated after deducting treasury stock (59,058 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 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:  
First Section 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 account are also handled at the following URL:  
<https://www.smtb.jp/personal/agency/request/>

### ■ Payment of unclaimed dividends:

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