



The **10**<sup>th</sup> Fiscal Year Interim Report  
April 1, 2021 ▶ September 30, 2021

**TAKAOKA TOKO CO., LTD.**

Stock Exchange Code: 6617



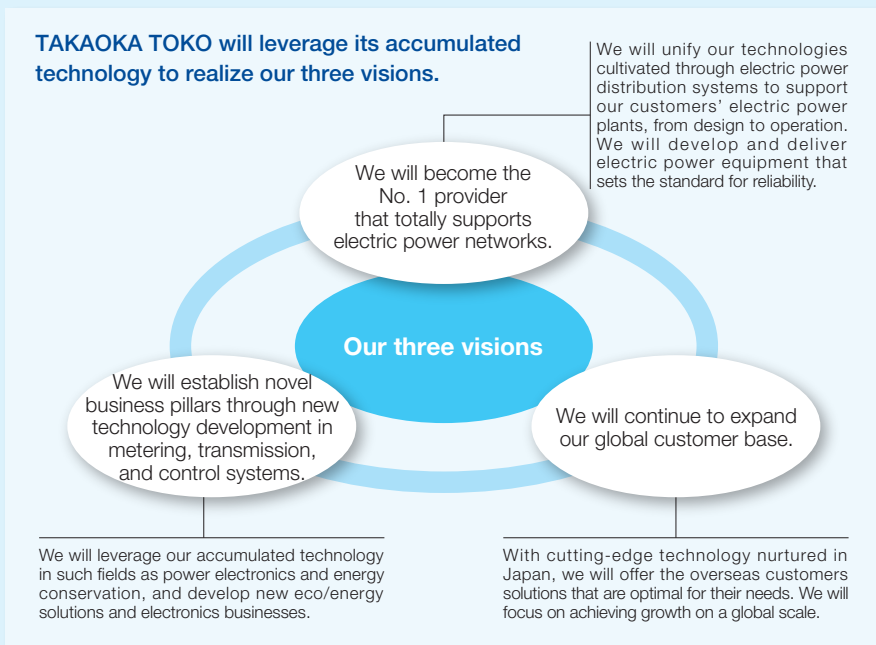
**Takashi Ichinose**

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 10th Fiscal Year Interim Report (from April 1, 2021 to September 30, 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.**



## Improper Cases Related to Quality Control of Some of the Company’s Products

In August 2021, the Company announced that it had found cases of improper tests of gas-insulated switchgears. We would like to deeply apologize for causing great inconvenience and concern to our shareholders. Going forward, we will engage in company-wide reforms from the four perspectives of “QMS” (Quality Management System), “human resource development,” “communication,” and “awareness and cultural environment” in efforts to prevent any reoccurrence and restore the trust of our customers. The impact of these cases on the first half of the current fiscal year is negligible. Details of the cases are described in the enclosed “Improper Cases Related to Quality Control of Some of the Company’s Products.” We look forward to your continued guidance and encouragement.

## Overview of the First Half of the Current Fiscal Year (April 1, 2021 to September 30, 2021)

In the electric power industry, the largest clientele of the TAKAOKA TOKO Group (the “Group”), domestic energy demand continues to decrease, and the business environment is becoming even more severe, as evidenced by stagnant economic activities due to the spread of the novel coronavirus (COVID-19), and intensifying competition beyond business fields and regions within the electric power industry. As a result, efforts are being made by electric power companies toward improved productivity and thorough cost reductions. Meanwhile, in Japan, the further diffusion of decentralized energy-related equipment, including renewable energy equipment, is getting underway, and demand for quick chargers for electric vehicles due to the promotion of electrification that contributes to the realization of a carbon-free society is starting to pick up.

In such a business environment, the Group formulated the “2030 Vision & Medium-Term Management Plan 2023” in April 2021. Based on the three policies of the Medium-Term Management Plan 2023: “Enhance and transform our core business,” “Structural transformation of business foundation,” and “Create a vision for 2030,” we are working to rebuild the foundations for 2030.

Specifically, in May, we created three new projects under the direct control of the President: the “Electric Vehicle Infrastructure Business Promotion Project,” the “PPP/PFI Promotion Project,” and the “Overseas Alliance Promotion Project,” and we are accelerating efforts to develop new domains that will support a new business portfolio, including the reorganization of UQUEST, LTD. in October 2021. In addition, in order to contribute to a sustainable society, we formulated the “TAKAOKA TOKO Digital Transformation Strategy (TKTK-DX)” in September 2021 to more strongly promote productivity improvements and digitalization, and are making group-wide efforts to create innovation leveraging the latest digital technology and data.

In addition, during the first half of the current fiscal year, although higher costs caused by rising prices of copper materials and other raw materials affected the profitability of some products, we worked on price revisions. Furthermore, we focused on addressing procurement risks in order to minimize the impact of future shortages of semiconductor-related components.

Under these circumstances, for the period under review, we posted net sales of ¥39,955 million (a year-on-year decrease of 1.5%) due to a decrease in domestic plants and smart meters, despite the recovery of overseas construction projects, which were affected by COVID-19 in the previous fiscal year, the growth of the PPP/PFI business, and an increase in orders for 3D inspection systems in line with greater demand for semiconductors.

In terms of profit, we posted operating income of 1,233 million yen (a year-on-year increase of 203.3%), ordinary income of 1,271 million yen (a year-on-year increase of 220.0%), and profit attributed to shareholders of the parent company of 1,148 million yen (profit attributed to shareholders of the parent company of 71 million yen in the previous corresponding period), due to the recovery of replacement of expired electric meters, which slumped in the previous fiscal year due to COVID-19, the reduction in fixed costs in the smart meter business, and an increase in orders for 3D inspection systems in line with greater demand for semiconductors.

## Outlook for the Fiscal Year

The business forecast of the fiscal year ending on March 31, 2022 remains unchanged from that published on April 30, 2021, estimating net sales of 88,000 million yen, operating income of 2,700 million yen, ordinary income of 2,800 million yen, and profit attributed to shareholders of the parent company of 1,600 million yen.

The forecast for interim dividend also remains unchanged at 25 yen per share, based on the consolidated business results for the period under review, as well as the business forecast for the current fiscal year.

## Status by Segment

The status of each segment is as follows.

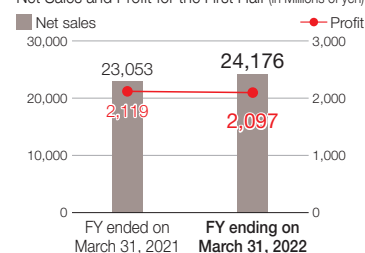
### Electric Equipment Business

**Major products and services** Equipment for power receiving, transforming and distribution, monitoring and control systems, control equipment, etc.

**Basic strategies of the segment**

- Improve profitability through model changes in large-scale transformers, switching equipment, and switches, and by reducing costs through expanded overseas procurement
- 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

Net Sales and Profit for the First Half (in Millions of yen)



We achieved overall segment net sales of 24,176 million yen (a year-on-year increase of 4.9%), due to increases in overseas construction projects and power distribution equipment, such as small-scale transformers, despite a decrease in domestic plants. However, segment profit fell to 2,097 million yen (a year-on-year decrease of 1.0%), due to rising prices of copper materials and a decrease in domestic plants.

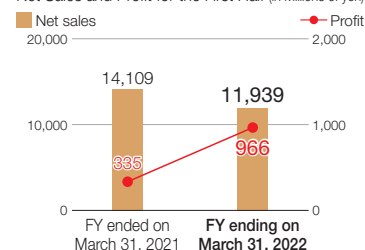
### Metering Business

**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.

**Basic strategies of the segment**

- Improve profitability by restructuring the smart meter business and through overseas production in the transformer business
- Market exploration in the area of data businesses for electricity, gas, and water, and development of next-generation smart meters toward 2030

Net Sales and Profit for the First Half (in Millions of yen)



We achieved overall segment net sales of 11,939 million yen (a year-on-year decrease of 15.4%), due to a reduction in smart meters, and the removal of paid transactions, which had been included in net sales of replacement of expired electric meters until the previous fiscal year, from net sales due to a change in accounting standards. However, segment profit increased to 966 million yen (a year-on-year increase of 188.1%), due to the recovery of replacement of expired electric meters and the reduction in fixed costs in the smart meter business.

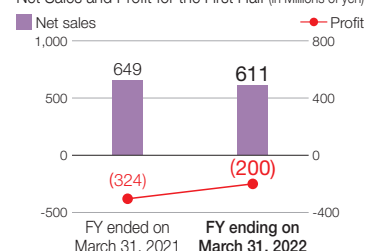
### Energy Solution Business

**Major products and services** Energy metering and control equipment, quick chargers for electric vehicles, etc.

**Basic strategies of the segment**

- Further increase our market share, which is in the No. 1 position in Japan, by launching new types of quick chargers
- Develop next-generation EMS for the advanced utilization of technology for energy saving and renewable energy

Net Sales and Profit for the First Half (in Millions of yen)



We achieved overall segment net sales of 611 million yen (a year-on-year decrease of 5.8%), due to a decrease in EMS (energy management system)-related sales, despite an increase in charging infrastructure. However, segment loss contracted to 200 million yen (segment loss of 324 million yen in the corresponding period of the previous fiscal year), partly due to a decrease in troubleshooting costs.

### Information System/Applied Optics Inspection System Business

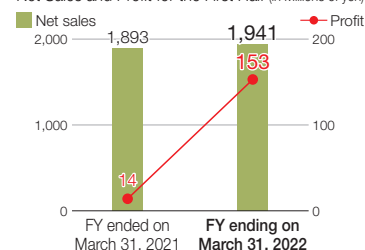
**Major products and services** 3D inspection systems <sup>(1)</sup>, thin client systems <sup>(2)</sup>, embedded software, etc.

\*1 A "3D inspection system" means a system to measure and inspect external appearance (height, depth and surface form) of electronic circuit substrates.  
\*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.

**Basic strategies of the segment**

- Establish a mass production system for 3D inspection systems in response to growing demand, and develop new overseas customers
- Increase sales of thin client terminals with a view to life with and after COVID-19

Net Sales and Profit for the First Half (in Millions of yen)



We achieved net sales of 1,941 million yen (a year-on-year increase of 2.6%) and segment profit of 153 million yen (a year-on-year increase of 958.4%), due to an increase in orders for 3D inspection systems in line with greater demand for semiconductors, despite a decline in sales of information systems.

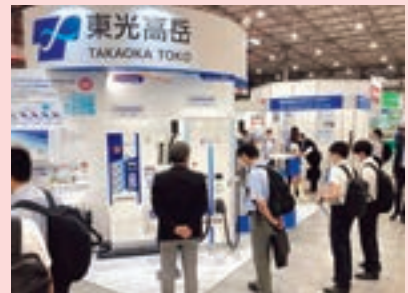
## Projects under the direct control of the President

The Electric Vehicle Infrastructure Business Promotion Project is a project that, in addition to engaging in conventional sales of quick chargers, develops and sells new products and new services that capture market needs in an age of carbon neutrality, and aims to build a business foundation to transform from the sale of goods to the sale of services. We have launched sales of the “WeCharge HUB,” a charging system controller for condominiums, and large-capacity quick chargers (enabling two electric vehicles to be charged simultaneously with one unit), as new products, in order to realize “the supply of charging systems for condominiums” and “the elimination of charging congestion,” which have been issues to date. In addition, at the Decarbonisation Expo, which brings together companies that provide decarbonization solutions, we exhibited energy saving-related services and products, etc. as well as electric vehicle infrastructure, and received a favorable response with 2,400 visitors over three days.

The PPP (\*1)PFI(\*2) Promotion Project cultivates the ability to respond to next-generation public works through the open proposal business, etc., and aims to build a business foundation for acquiring large-scale building complex projects through PPP/PFI. As initiatives to date, we have introduced Japan’s first steel tower-type LED lighting equipment capable of producing illuminations, at the Prifoods Stadium in Hachinohe City. In addition, under the Nirasaki City Public Facility LED Lighting Conversion Project, we introduced illuminations at Nirasaki Civic Center NICORI, which is one of the city’s landmark facilities.

(\*1) 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.

(\*2) Private Finance Initiative (PFI) is a typical method to realize the concept of PPP, which provides higher quality public services, by utilizing private financing and expertise for construction, maintenance, and operation, etc. of public facilities.



The Company’s booth at the Decarbonisation EXPO



New large-capacity quick charger



Illumination at Nirasaki Civic Center NICORI

## Formulation of the “TAKAOKA TOKO Digital Transformation Strategy (TKTK-DX)”

The Group has established the following initiatives in the TAKAOKA TOKO Group 2030 Vision & Medium-Term Management Plan 2023 announced in April:

- Refine S+QCD<sup>1</sup> and reform supply chain in core businesses that support the stable supply and efficient use of electricity
- Respond to the sophistication and diversification of customers’ needs in energy use
- Create new businesses, markets, and values that address social issues such as “decarbonization” and “disaster-prevention and resilience,”

and declared that it will contribute to a “sustainable society.”

To achieve these initiatives, we have formulated the “TAKAOKA TOKO Digital Transformation Strategy (TKTK-DX),” and decided to accelerate the Group’s DX<sup>2</sup> in three areas: transformation of our business model; development of new fields; and improved productivity and greater operational efficiency.

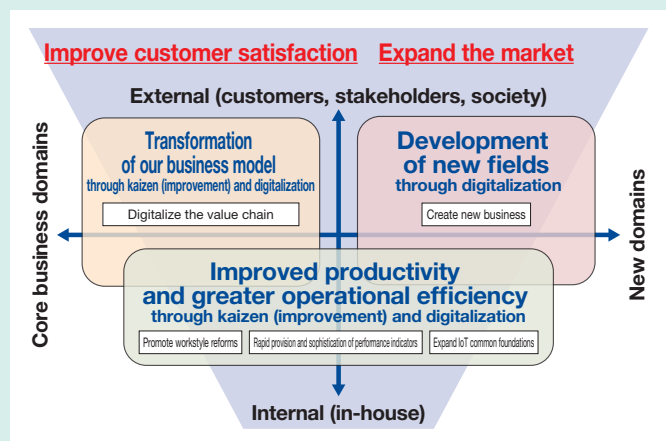
### <TKTK-DX Vision>

We will dramatically improve operational efficiency and speed through kaizen (improvement) and digitalization.

In addition, by promoting DX, which combines our strengths in electric power technology and metering, transmission and control technology with the latest digital technology, we will take on the challenges of transforming our business model and creating new value, and lead the sophistication and diversification of energy use by customers and the realization of a sustainable society.

(\*1) Safety (securing safety and peace of mind), Quality (high quality), Cost (cost reductions, productivity improvements), and Delivery (prompt delivery)

(\*2) Digital Transformation. Companies respond to drastic changes in the business environment, utilize data and digital technology to transform products, services and business models based on the needs of customers and society, and transform business operations themselves, organizations, processes, and corporate culture and corporate environment to establish a competitive advantage.



Basic strategy for the realization of the DX vision

# Overview of Consolidated Financial Statements

## Consolidated Balance Sheets (in Millions of yen)

Item	Previous Fiscal Year As of March 31, 2021	First Half FY As of September 30, 2021
<b>[Assets]</b>		
<b>Current Assets</b>	<b>58,528</b>	<b>55,230</b>
<b>Non-current Assets</b>	<b>42,487</b>	<b>41,948</b>
Property, plants and equipment	35,551	35,171
Intangible assets	2,132	2,045
Investments and other assets	4,802	4,731
<b>Total Assets</b>	<b>101,015</b>	<b>97,179</b>
<b>[Liabilities]</b>		
<b>Current Liabilities</b>	<b>28,680</b>	<b>23,423</b>
<b>Long-term Liabilities</b>	<b>19,806</b>	<b>19,946</b>
<b>Total Liabilities</b>	<b>48,487</b>	<b>43,369</b>
<b>[Net Assets]</b>		
<b>Shareholders' Equity</b>	<b>48,744</b>	<b>49,502</b>
<b>Accumulated other comprehensive income</b>	<b>432</b>	<b>473</b>
<b>Non-controlling interests</b>	<b>3,350</b>	<b>3,834</b>
<b>Total Net Assets</b>	<b>52,528</b>	<b>53,809</b>
<b>Total Liabilities and Net Assets</b>	<b>101,015</b>	<b>97,179</b>

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

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

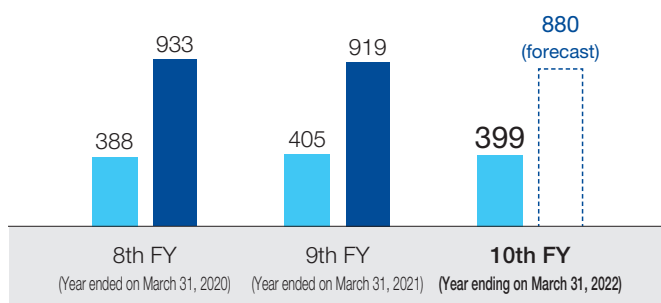
Item	Previous First Half FY From April 1, 2020 to September 30, 2020	Current First Half FY From April 1, 2021 to September 30, 2021
<b>Net sales</b>	<b>40,546</b>	<b>39,955</b>
<b>Cost of sales</b>	<b>32,481</b>	<b>31,045</b>
<b>Gross profit</b>	<b>8,064</b>	<b>8,910</b>
<b>General and administrative expenses</b>	<b>7,657</b>	<b>7,676</b>
<b>Operating income</b>	<b>406</b>	<b>1,233</b>
<b>Non-operating income</b>	<b>127</b>	<b>156</b>
<b>Non-operating expenses</b>	<b>136</b>	<b>118</b>
<b>Ordinary income</b>	<b>397</b>	<b>1,271</b>
<b>Extraordinary income</b>	<b>3</b>	<b>831</b>
<b>Extraordinary loss</b>	<b>47</b>	<b>18</b>
<b>Income before taxes</b>	<b>352</b>	<b>2,084</b>
<b>Income taxes</b>	<b>350</b>	<b>458</b>
<b>Net income</b>	<b>2</b>	<b>1,625</b>
<b>Profit (loss) attributed to non-controlling interests</b>	<b>(69)</b>	<b>476</b>
<b>Profit attributed to shareholders of the parent company</b>	<b>71</b>	<b>1,148</b>

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

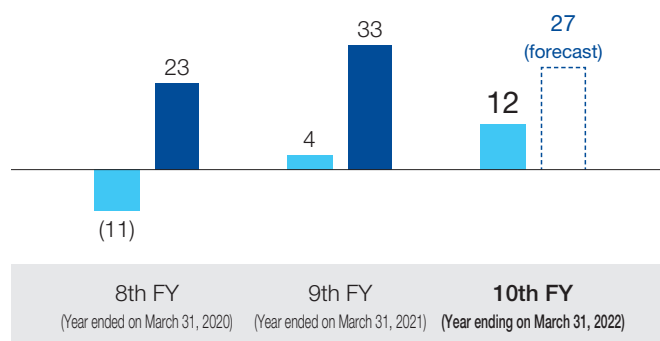
## Consolidated Financial Highlights

■ First Half FY ■ Full FY

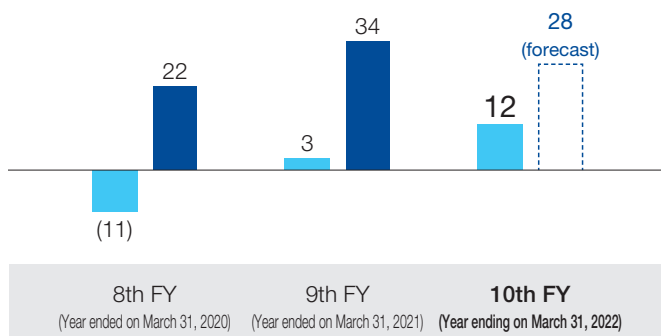
### Net sales (in Hundred millions of yen)



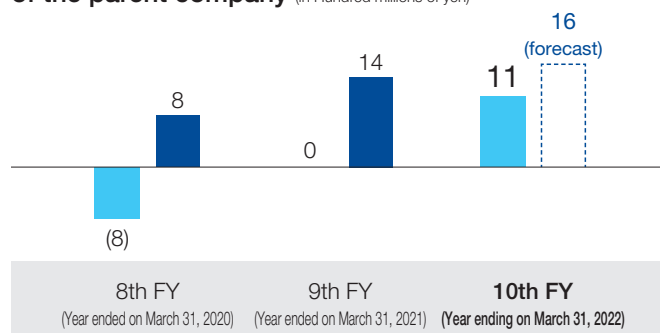
### Operating income (in Hundred millions of yen)



### 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

President and Representative Director	<b>Takashi Ichinose</b>	Director (Full-Time Audit and Supervisory Committee Member)	<b>Yoshinori Kurosawa</b>
Director	<b>Takenori Fujii</b>	Director (Audit and Supervisory Committee Member)	<b>Noriaki Taketani</b>
Director	<b>Tatsuya Wakayama</b>	Director (Audit and Supervisory Committee Member)	<b>Yuichiro Takada</b>
Director	<b>Yoshinori Kaneko</b>	Director (Audit and Supervisory Committee Member)	
Director	<b>Harunobu Kameyama</b>		
Director	<b>Yasuhiro Mishima</b>		
Director	<b>Akira Uemura</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: 16,216,924  
(Excluding 59,381 treasury shares)  
 Number of shareholders: 14,377

### 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)	1,220,800	7.52
TAKAOKA TOKO Employees' Stock Holding Association	289,602	1.78
TAIJU LIFE INSURANCE COMPANY LIMITED	209,700	1.29
DFA INTL SMALL CAP VALUE PORTFOLIO	201,544	1.24
Meiji Yasuda Life Insurance Company	200,000	1.23
Custody Bank of Japan, Ltd. (Trust account)	198,400	1.22
Sumitomo Mitsui Trust Bank, Limited	178,700	1.10
Mizuho Bank, Ltd.	149,600	0.92
GOVERNMENT OF NORWAY	119,110	0.73

Note: Shareholding ratios are calculated after deducting treasury stock (59,381 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/procedure/agency/>

### Payment of unclaimed dividends:

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