



The **10**th Fiscal Year Business Report
April 1, 2021 ▶ March 31, 2022

TAKAOKA TOKO CO., LTD.

Stock Exchange Code: 6617



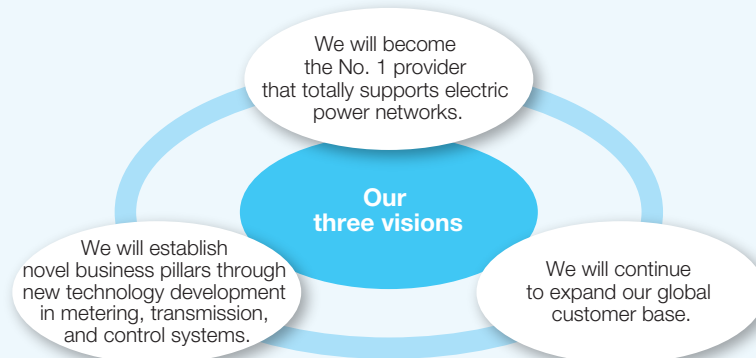
Takashi Ichinose

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 Report (from April 1, 2021 to March 31, 2022) 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.



Progress and Results of Business Operations

We would like to express our deepest apologies once again for causing great inconvenience and concern to our customers, shareholders and related parties due to the improper cases of gas-insulated switchgears and remote controllers for automatic switch gears, which we announced on August 27, 2021, September 8, 2021, and October 29, 2021, and for the resultant temporary suspension of our ISO9001 certification (lifted on January 6, 2022).

The comprehensive investigation, which we conducted following the revelation of the improper incidents, was completed on May 24, 2022. The investigation did not find any more improper cases.

We will continue to engage in company-wide reforms from the four perspectives of “QMS” (Quality Management System), “human resource development,” “communication,” and “awareness and cultural environment,” which are measures announced on October 29, 2021 to prevent any reoccurrence, in efforts to restore the trust of our customers.

To further promote these initiatives, we established the “Management Reformation Task Force” in April 2022, which was under the direct control of the President. We will implement management reforms to become a company that is “strong in safety and quality” and is “customer-oriented and always up to the challenge.”

In the electric power industry, the largest clientele of the TAKAOKA TOKO Group (the “Group”), the situation surrounding the Group is becoming increasingly severe, as evidenced by soaring fuel prices, the continuing decline in domestic demand, intensifying competition beyond business fields and regions within the electric power industry, and the impact of the spread of the novel coronavirus (COVID-19), and efforts are being made by companies toward improved productivity and thorough cost reductions. Meanwhile, with the aim of realizing a carbon-free society, the Japanese government has announced the “2050 Carbon Neutrality Declaration,” as a result of which the further diffusion in Japan of decentralized energy-related equipment, including renewable energy equipment, is getting underway, and demand for quick chargers for electric vehicles is starting to pick up.

The Group formulated the “2030 Vision & Medium-Term Management Plan 2023” in April 2021. Based on the three policies of “Enhance and transform our core business,” “Structural transformation of business foundation,” and “Create a vision for 2030,” we have embarked on bilateral management that simultaneously reforms our existing businesses and develops new business in order to achieve the 2030 Vision.

The main initiatives to achieve our goals are as follows.

- We created the “Electric Vehicle Infrastructure Business Promotion Project,” the “PPP/PFI Promotion Project,” and the “Overseas Alliance Promotion Project” under the director control of the President in order to develop new domains.
- We formulated and announced the “Basic Sustainability Policy” and the “Basic Business Portfolio Policy.”
- We formulated and announced the “TAKAOKA TOKO Digital Transformation Strategy (TKTK-DX)” to promote productivity improvements and digitalization. We were selected as a “DX-certified operator” by the Ministry of Economy, Trade and Industry.
- Aiming for carbon neutrality in 2050, we set initial targets for fiscal 2030, which are a “46% reduction in CO₂ compared with fiscal 2014” and a “1% annual reduction in energy intensity.”
- We will respond to the soaring prices and extended delivery times of materials including by revising selling prices, expanding suppliers and seeking substitutes.
- We merged with UQUEST, LTD. in order to integrate our technology with UQUEST’s embedded software technology and develop new domains.

For fiscal 2021, we posted net sales of 91,936 million yen (a year-on-year decrease of 0.0%) due to decreases in plants and smart meters for domestic plants, despite the recovery of overseas construction projects, which were affected by COVID-19 in the previous fiscal year, an increase in small-scale transformers, 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 4,625 million yen (a year-on-year increase of 36.8%), ordinary income of 4,172 million yen (a year-on-year increase of 22.6%) and profit attributed to shareholders of the parent company of 3,279 million yen (a year-on-year increase of 132.8%), due to a reduction in fixed costs in the smart meter business and an increase in orders received for 3D inspection systems in line with greater demand for semiconductors, as well as company-wide Kaizen (improvement) activities, digitalization, and progress with procurement reforms, despite increases in raw material prices and the recording of expenses for inspections of the subject products in the improper incidents. These have been the highest profits since the Company was established.

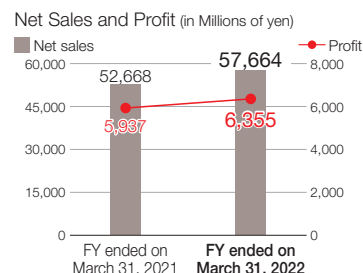
Status by Segment

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.

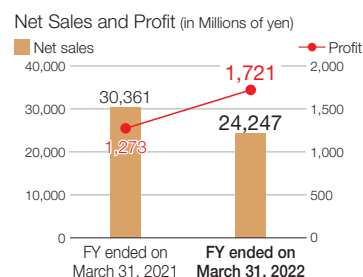
We achieved segment net sales of 57,664 million yen (a year-on-year increase of 9.5%) and segment profit of 6,355 million yen (a year-on-year increase of 7.0%), mainly due to increases in domestic projects for plants for renewable energy, overseas construction projects, and small-scale transformers, despite a decrease in plants for domestic plants.



Metering Business

Major products and services Transformers, various types of meters (for electricity, gas, and water services), undertaking replacement of expired meters⁽¹⁾, etc.
⁽¹⁾Replacement of expired meters" means the replacement work of electric meters conducted pursuant to the Measurement Act.

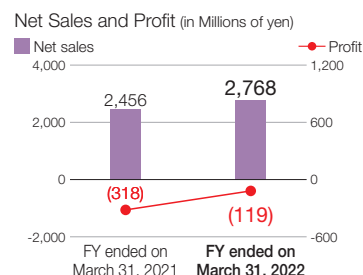
We achieved overall net sales of 24,247 million yen (a year-on-year decrease of 20.1%) due to a reduction in smart meters, and the removal of paid transactions, which had been included in net sales of replacement of expired electric meters until the previous fiscal year, from net sales due to a change in accounting standards. However, segment profit increased to 1,721 million yen (a year-on-year increase of 35.2%), due to a 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, embedded software, etc.

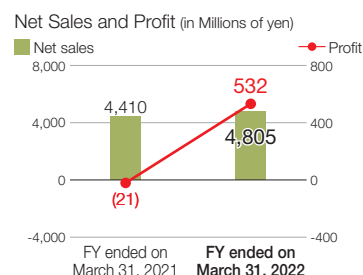
We achieved overall net sales of 2,768 million yen (a year-on-year increase of 12.7%) due to an increase in sales of charging infrastructure, despite a decrease in EMS (energy management system)-related sales. Segment loss contracted to 119 million yen (segment loss of 318 million yen in the previous fiscal year), mainly due to a decrease in improper case-related expenses.



Information System/Applied Optics Inspection System Business

Major products and services 3D inspection systems⁽¹⁾, thin client systems⁽²⁾, 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.

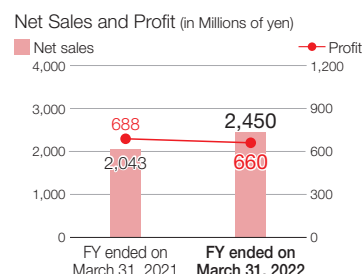
We achieved net sales of 4,805 million yen (a year-on-year increase of 9.0%) and segment profit of 532 million yen (segment loss of 21 million yen in the previous fiscal year), due to an increase in orders for 3D inspection systems in line with greater demand for semiconductors.



Other Businesses

Major products and services Real estate leasing of office buildings, smart grid business, PPP⁽¹⁾/PFI⁽²⁾ business, etc.
⁽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 method for construction, maintenance, and operation of public facilities utilizing private financing, management capabilities and technical abilities.

We achieved overall net sales of 2,450 million yen (a year-on-year increase of 19.9%) due to an increase in the smart grid business. However, segment profit decreased to 660 million yen (a year-on-year decrease of 4.1%), mainly due to an increase in R&D expenses.



Raised numerical targets for the Medium-Term Management Plan 2023

In fiscal 2021, we achieved the targets for net sales and profit for fiscal 2023 set by the Medium-Term Management Plan ahead of schedule. Taking these results and the future business environment into consideration, we have raised the numerical targets for fiscal 2023 as follows.

	FY2021 (Actual)	FY2022 (Forecasts)	Fiscal 2023 (Initial plan)	Fiscal 2023 (Revised)
Net sales	91.9 billion yen	93.0 billion yen	90.0 billion yen	95.0 billion yen
Operating income	4.6 billion yen	4.4 billion yen	4.0 billion yen	5.0 billion yen
Operating margin	5.0%	4.7%	4.4%	5.3%
Profit attributed to shareholders of the parent company	3.2 billion yen	3.0 billion yen	2.5 billion yen	3.5 billion yen
Return on Equity (ROE)	6.5%	5.7%	5.0%	6.4%
Return on Assets (ROA: Net income/Total assets)	3.3%	3.0%	2.4%	3.4%

Formulation of the Basic Sustainability Policy and the Basic Business Portfolio Policy

Basic Sustainability Policy

The TAKAOKA TOKO Group will fulfill two missions through the practice of its corporate philosophy and pioneer the future of energy.

- Unchanging Mission: Through the provision of equipment and systems that support the stable supply and efficient use of electricity and contribute to the development of affluent and comfortable lifestyles and socioeconomic activities.
- New mission : Come up with solutions for new social issues, such as measures for carbon neutrality and regional disaster prevention and resilience, to contribute to the development of a sustainable society.

Our basic policy on sustainability is to practice the TAKAOKA TOKO Group Charter of Corporate Behavior, which was formulated with the aim of achieving sustainable growth together with society while fulfilling this mission.

Basic Business Portfolio Policy

- TAKAOKA TOKO Group aims to become a “comprehensive energy business provider” that goes beyond the category of electric power, moving from the conventional sale of goods to the sale of services.
- To achieve this, we will implement our basic strategy of “Create, Make, and Sell” from the customer’s perspective, and invest the resources created by refining existing businesses and accelerating structural reforms in new businesses.
- We regularly review our business portfolio, which serves as the compass of our business, to ensure that we can carry out bilateral management that simultaneously “reforms” existing businesses on one hand and “develops” new business on the other.

In terms of the latest topics related to the two policies, in the area of quick chargers for electric vehicles (EVs), we strived to expand methods of using quick chargers by conducting inspections and verifications of quick charging systems for EVs that can be used by connecting to generators utilizing LP gas. We will promote regional BCP compatibility as a system that reliably supports the continuous operation of EVs with LP gas generators, even if the power supply to quick chargers is halted due to disasters or other reasons.

In the next-generation power distribution business, Resol No Mori (Chosei-gun, Chiba Prefecture), for which the Company supplied a locally produced and consumed energy system that maximizes the use of renewable energy, was recognized for its originality with a local production and consumption model, and was awarded the “New Energy Foundation Chairman’s Award” by the New Energy Foundation.



Quick charger connected to an LP gas generator

Increased orders for 3D inspection systems

Demand for semiconductors is rapidly increasing due to the growing demand for high-spec computers, video game consoles and data centers amid telework and stay-at-home demand, practical use of 5G devices, and advances in automated driving for automobiles and AI technologies. In response, semiconductor package substrate manufacturers are making active capital investments.

We manufacture 3D inspection systems that can inspect the height of microelectrodes (bumps) on semiconductor package substrates with micrometer-level accuracy and at high speed. Backed by robust demand from semiconductor package substrate manufacturers in Japan and overseas, orders received in the 3D inspection system business for fiscal 2021 were 5,400 million yen, which is 8.1 times as much as the previous fiscal year. With further growth in demand for semiconductors expected in the future, we will establish a firm position in the inspection equipment industry for package substrates.



A 3D inspection system

Overview of Consolidated Financial Statements

Consolidated Balance Sheets (in Millions of yen)

Item	Previous Fiscal Year As of March 31, 2021	Current Fiscal Year As of March 31, 2022
[Assets]		
Current Assets	58,528	59,001
Non-current Assets	42,487	41,241
Property, plants and equipment	35,551	35,082
Intangible assets	2,132	1,877
Investments and other assets	4,802	4,281
Total Assets	101,015	100,242
[Liabilities]		
Current Liabilities	28,680	25,129
Long-term Liabilities	19,806	19,554
Total Liabilities	48,487	44,683
[Net Assets]		
Shareholders' Equity	48,744	51,226
Accumulated other comprehensive income	432	226
Non-controlling interests	3,350	4,105
Total Net Assets	52,528	55,558
Total Liabilities and Net Assets	101,015	100,242

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

Consolidated Statements of Income (in Millions of yen)

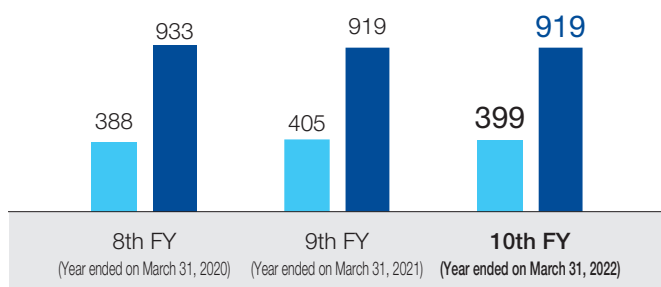
Item	Previous FY From April 1, 2020 to March 31, 2021	Current FY From April 1, 2021 to March 31, 2022
Net sales	91,939	91,936
Cost of sales	72,809	71,364
Gross profit	19,129	20,571
General and administrative expenses	15,747	15,946
Operating income	3,382	4,625
Non-operating income	229	300
Non-operating expenses	208	753
Ordinary income	3,402	4,172
Extraordinary income	76	970
Extraordinary loss	1,082	105
Income before taxes	2,396	5,038
Income taxes	1,554	1,016
Net income	842	4,021
Profit (loss) attributed to non-controlling interests	(566)	742
Profit attributed to shareholders of the parent company	1,408	3,279

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

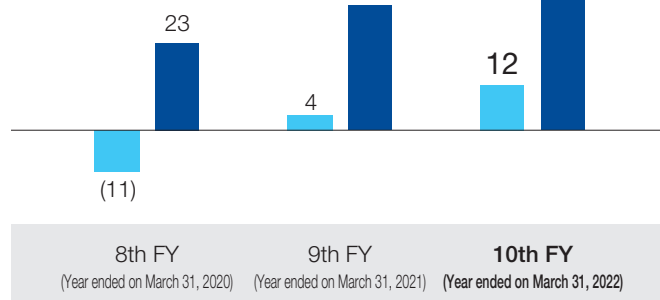
Consolidated Financial Highlights

■ First Half FY ■ Full FY

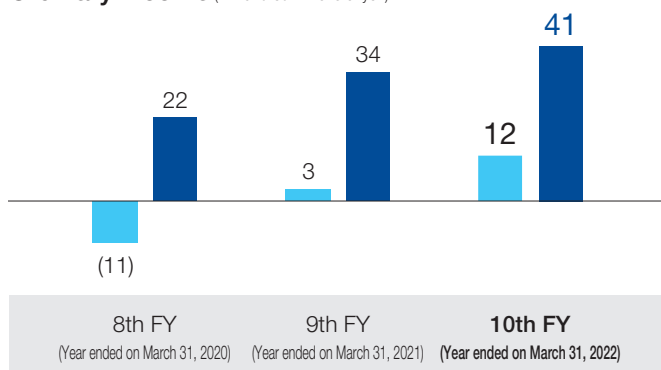
Net sales (in Hundred millions of yen)



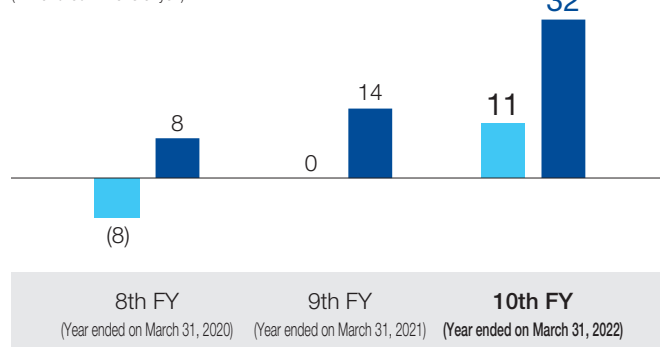
Operating income (in Hundred millions of yen)



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.

Directors (as of June 29, 2022)

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

*1 Directors Yoshinori Kaneko, Noriaki Taketani, Yasuhiro Mishima, Akira Uemura, Yuichiro Takada and Kishiko Wada are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

*2 Ms. Kishiko Wada's name on the family register is Kishiko Inoue.

Share Information

Total number of authorized shares	40,000,000
Total number of outstanding shares	16,216,680 (Excluding 59,625 treasury shares)
Number of shareholders	14,507

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)	1,428,600	8.80
Custody Bank of Japan, Ltd. (Trust account)	393,100	2.42
TAKAOKA TOKO Employees' Stock Holding Association	292,516	1.80
DFA INTL SMALL CAP VALUE PORTFOLIO	213,044	1.31
TAIJU LIFE INSURANCE COMPANY LIMITED	209,700	1.29
Meiji Yasuda Life Insurance Company	200,000	1.23
Sumitomo Mitsui Trust Bank, Limited	178,700	1.10
THE BANK OF NEW YORK MELLON 140040	133,101	0.82
TAKAOKA TOKO Chubu District Cooperative Companies' Stock Holding Association	119,463	0.73

Note: Shareholding ratios are calculated after deducting treasury stock (59,625 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:
Prime Market of the Tokyo Stock Exchange (as of April 4, 2022)

■ 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.