



# The 6<sup>th</sup> Fiscal Year Business Report

April 1, 2017 >>> March 31, 2018

**TAKAOKA TOKO CO., LTD.**

Stock Exchange Code: 6617



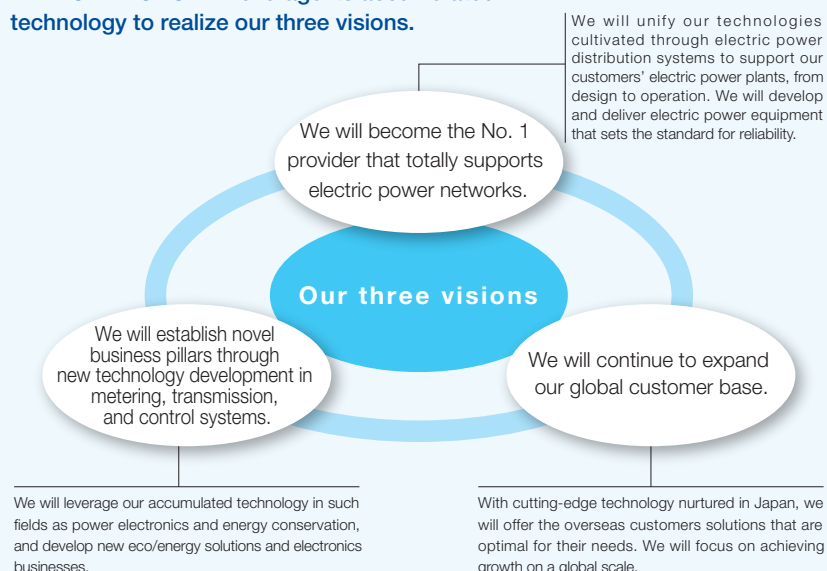
**Toshiro Takebe**

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 6th Fiscal Year Report (from April 1, 2017 to March 31, 2018) 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

During the fiscal year under review, the Japanese economy showed an overall favorable trend, supported by robust foreign demand and capital investment.

Reflecting these circumstances, in the market environment surrounding the TAKAOKA TOKO Group (the “Group”), business related to equipment in the domestic manufacturing industry, investment for replacement necessary to maintain production capacity as well as efficiency improvement and labor saving in preparation for a shortage of labor showed positive signs.

Meanwhile, the electric power industry, the largest clientele of the Group, showed a reactionary decline in demand for smart meters, which peaked during the previous consolidated fiscal year when electricity liberalization began, alongside a trend to curb investment and repair expenses continued under efforts to thoroughly improve efficiency and streamline management.

In such a business environment, the Group has focused on expansion of business domains and reform of business models under the “TAKAOKA TOKO Group Fiscal Year 2017 Medium-Term Management Plan.”

As a result, for the consolidated fiscal year under review, we posted net sales of 95,309 million yen (a year-on-year decrease of 11.6%), operating income of 2,947 million yen (a year-on-year decrease of 26.0%), ordinary income of 3,189 million yen (a year-on-year decrease of 21.8%) and profit attributed to shareholders of the parent company of 1,546 million yen (a year-on-year decrease of 26.4%).

## Status of Capital Investment

We made capital investment of 3,661 million yen in total, mainly for expansion of business, such as update and reinforcement of facilities related to mold equipment, and redevelopment of Nagoya district.

## Issues to Be Addressed

In the business environment surrounding the Group, the market environment is expected to undergo accelerated changes, reflecting institutional reforms, including the separation of electrical power production from power distribution and transmission and the gas liberalization, and technological innovation such as demand response and blockchain.

In the electric power industry, the largest clientele of the Group, declines in sales prices of products following the intensification of market competition are projected to continue. On the other hand, new business chances are arising, as exemplified by the acceleration of moves to expand the introduction of distributed energy resources located on the customer side.

In markets, including industrial fields, efforts are underway for innovation of the manufacturing industry such as utilization of IoT and AI, which have a growing possibility to become big business chances for the Group, which has a variety of technologies and products concerning electric power networks, including metering, transmission and control.

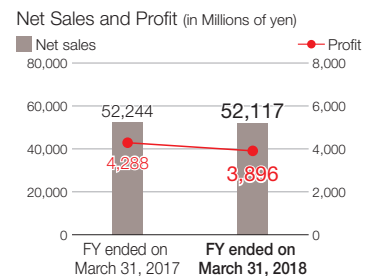
Under such a business environment, the Group will strive to expand its business domains and reform business models, with a view to building new earnings bases, while further advancing the improvement of profitability of its existing businesses.

# Status by Segment

The status of each segment is as follows:

## Electric Equipment Business

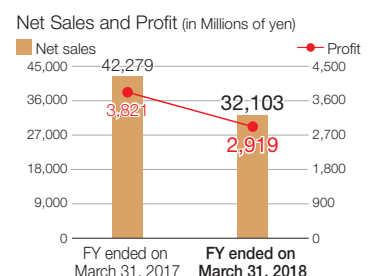
Major products and services	Equipment for power receiving, transforming and distribution, monitoring and control systems, control equipment, etc.
Basic strategies of the segment	<ul style="list-style-type: none"> <li>Promotion of the reduction of all product costs</li> <li>Further development of the maintenance business that utilizes IT×OT</li> <li>Expansion of overseas business areas</li> </ul>



In terms of business earnings, we secured almost the same level as the previous fiscal year, and achieved net sales of 52,117 million yen (a year-on-year decrease of 0.2%) and segment profit of 3,896 million yen (a year-on-year decrease of 9.1%).

## Metering Business

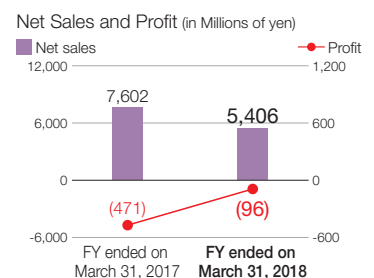
Major products and services	Transformers, various kinds of meters (for electricity, gas, and water service), undertaking of replacement of expired meters <sup>(1)</sup> , etc. *Replacement of expired meters pertains to replacement work of electric meters conducted pursuant to the Measurement Act.
Basic strategies of the segment	<ul style="list-style-type: none"> <li>Early participation in the new market of separated electrical power production from power distribution and transmission</li> <li>Total reduction of cost of electricity-oriented products</li> <li>Construction of a metering platform</li> </ul>



In terms of business earnings, we achieved net sales of 32,103 million yen (a year-on-year decrease of 24.1%) and segment profit of 2,919 million yen (a year-on-year decrease of 23.6%) as a result of the reactionary decline in smart meters, as stated earlier.

## Energy Solution Business

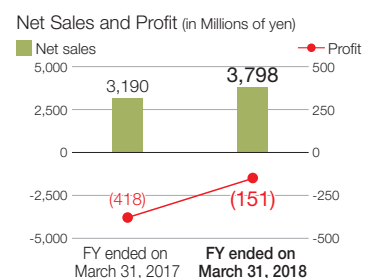
Major products and services	Energy metering and control equipment, quick chargers for electric vehicles, drive elements for industrial equipment, etc.
Basic strategies of the segment	<ul style="list-style-type: none"> <li>Selection and focusing of businesses with an aim to turn profitable</li> <li>Early monetization of businesses related to smart grids based on the results of the Nii-jima and VPP verifications, etc.</li> </ul>



In terms of business earnings, we achieved net sales of 5,406 million yen (a year-on-year decrease of 28.9%) and segment loss of 96 million yen (segment loss of 471 million yen in the corresponding period of the previous fiscal year), mainly due to the sale of all shares of Reliance Electric Limited held by the Company (80% of the outstanding shares of Reliance Electric Limited) on November 1, 2017.

## 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" pertains to 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	<ul style="list-style-type: none"> <li>Entrance into new markets (cosmetics, bio) through the sales of new devices</li> <li>Development of businesses that accumulate the Group's IoT technologies</li> </ul>



In terms of business earnings, we achieved net sales of 3,798 million yen (a year-on-year increase of 19.1%) and segment loss of 151 million yen (segment loss of 418 million yen in the corresponding period of the previous fiscal year) due to increased sales of information-related systems and applied optics inspection systems.

## Initiatives for renewable energy

The Group is developing initiatives for renewable energy. As our track record in fiscal 2017, we delivered transformation units which support renewable energy for approximately 20 solar power plants across Japan, including Daisen City, Akita Prefecture, Suwa City, Nagano Prefecture and Kirishima City, Kagoshima Prefecture. Furthermore, approximately 60 units are scheduled to be delivered from fiscal 2018 through fiscal 2019, and we are proceeding with the manufacturing of equipment and on-site work steadily. Going forward, the Group will continue to actively promote initiatives which contribute to expansion of renewable energy.



Delivery record of transformation units supporting renewable energy in fiscal 2017 (sites with red dots)

## Development and expansion of overseas business

Against a backdrop of an expanding overseas electricity market, the Group establishes a policy to further promote overseas business in its medium-term management plan, and is developing its businesses in overseas markets.

The Group is working on businesses that contribute to the promotion and development of infrastructure in developing countries in the African and Asian regions. In fiscal 2017, we are proceeding with the electricity transformation and distribution project in Rwanda, Africa, following the completion of the electricity transformation, and transmission and distribution project in Tanzania, Africa. In the Asian regions, we completed the electricity transformation and transmission project in Myanmar, and are participating in the project of promoting the spread of operation systems and management techniques of distribution systems of JICA (Japan International Cooperation Agency) in the Philippines.

In addition, as development of our Smart Grid Business, we are participating in verification tests, with an eye toward efficiency improvement in the use of renewable energy in extremely cold regions of Russia.

The Group will continue to proactively develop overseas businesses going forward.



Myanmar Thilawa electrical substation

## Enhancement and improvement of productivity of production line of mold instrument transformers

At the Company's Hasuda Factory, a new production line, which was enhanced for the purpose of improving productivity of mold instrument transformers, commenced production in February 2018.

Introduction of state-of-the-art equipment and shortened flow lines in production through this enhancement enable shorter production time.

Furthermore, IoT tools were actively introduced in this production line, which realizes smart factory in such areas as the monitoring of operation status of the line, optimization of energy using energy management system, digitalization of data, and real-time management of production progress.

We will further expand the Group's earnings by improving productivity through these initiatives.



Production line of mold instrument transformers



# Overview of Consolidated Financial Statements

## Consolidated Balance Sheets (in Millions of yen)

Item	Previous Fiscal Year As of March 31, 2017	Current Fiscal Year As of March 31, 2018
<b>[Assets]</b>		
<b>Current Assets</b>	60,726	52,759
<b>Non-current Assets</b>	47,096	44,743
Property, plants and equipment	40,941	38,610
Intangible assets	3,229	2,988
Investments and other assets	2,924	3,144
<b>Total Assets</b>	<b>107,822</b>	<b>97,503</b>
<b>[Liabilities]</b>		
<b>Current Liabilities</b>	33,625	25,483
<b>Long-term Liabilities</b>	23,041	19,727
<b>Total Liabilities</b>	<b>56,666</b>	<b>45,211</b>
<b>[Net Assets]</b>		
<b>Shareholders' Equity</b>	47,431	47,870
<b>Accumulated other comprehensive income</b>	110	345
<b>Non-controlling interests</b>	3,614	4,076
<b>Total Net Assets</b>	<b>51,155</b>	<b>52,291</b>
<b>Total Liabilities and Net Assets</b>	<b>107,822</b>	<b>97,503</b>

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

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

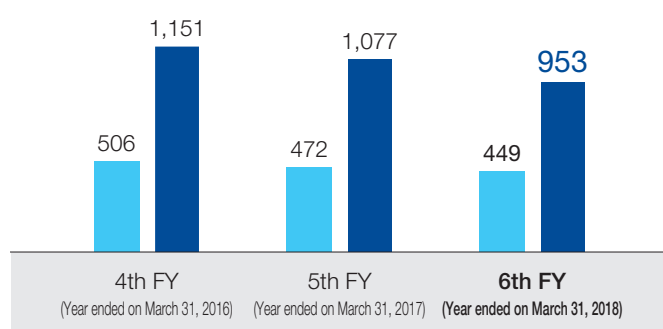
Item	Previous FY From April 1, 2016 to March 31, 2017	Current FY From April 1, 2017 to March 31, 2018
<b>Net sales</b>	<b>107,763</b>	<b>95,309</b>
<b>Cost of sales</b>	<b>87,904</b>	<b>76,467</b>
<b>Gross profit</b>	<b>19,859</b>	<b>18,841</b>
<b>General and administrative expenses</b>	<b>15,875</b>	<b>15,893</b>
<b>Operating income</b>	<b>3,983</b>	<b>2,947</b>
<b>Non-operating income</b>	446	430
<b>Non-operating expenses</b>	349	188
<b>Ordinary income</b>	<b>4,080</b>	<b>3,189</b>
<b>Extraordinary income</b>	190	751
<b>Extraordinary loss</b>	1,001	877
<b>Income before income taxes</b>	<b>3,269</b>	<b>3,063</b>
<b>Income taxes</b>	344	541
<b>Net income</b>	<b>2,924</b>	<b>2,521</b>
<b>Profit attributed to non-controlling interests</b>	823	974
<b>Profit attributed to shareholders of the parent company</b>	<b>2,101</b>	<b>1,546</b>

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

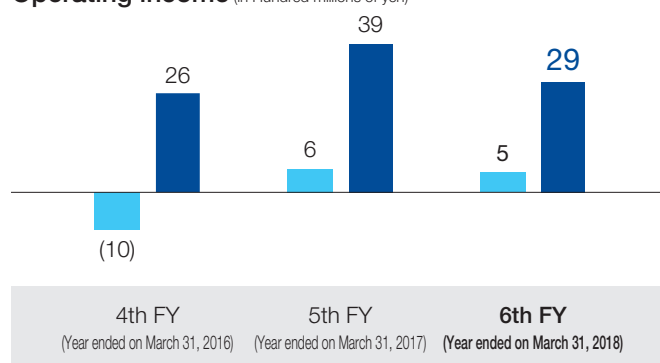
## Consolidated Financial Highlights

■ First Half FY ■ Full FY

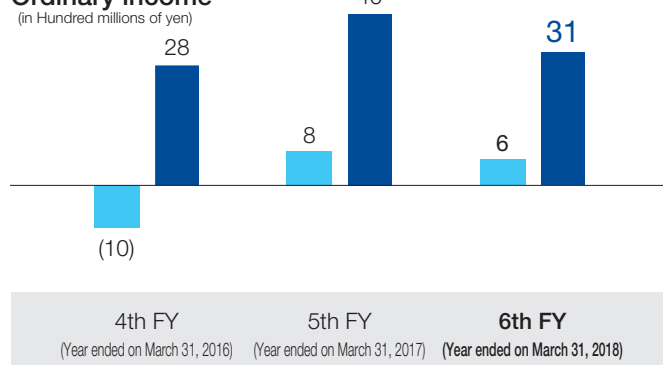
### Net sales (in Hundred millions of yen)



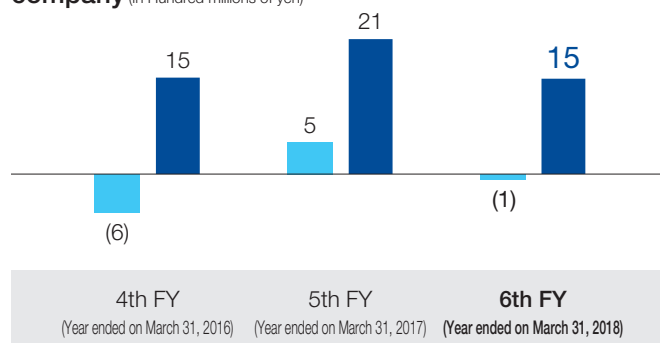
### Operating income (in Hundred millions of yen)



### 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 are truncated.

## Company Profile

Company Name: TAKAOKA TOKO CO., LTD.

Established on: October 1, 2012

Capital: 8 billion yen

Head Office: 8F Hulia 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  
WATT LINE SERVICE Co., Ltd.  
Toko Electric (Suzhou) Co., Ltd.  
Toshiba Toko Meter Systems Co., Ltd.  
TAKAOKA TOKO KOREA CO., LTD.  
MintWave Co., Ltd.  
UQUEST, LTD.

## Directors and Corporate Auditors (As of June 28, 2018)

Chairman and Representative Director	<b>Hiroaki Takatsu</b>	Director	<b>Yoshinori Kaneko</b>
President and Representative Director	<b>Toshiro Takebe</b>	Director	<b>Harunobu Kameyama</b>
Director	<b>Naoshi Nishikawa</b>	Standing Statutory Auditor	<b>Yoshinori Kurosawa</b>
Director	<b>Shiro Odagiri</b>	Standing Statutory Auditor	<b>Masaru Takeda</b>
Director	<b>Takenori Fujii</b>	Auditor	<b>Noriaki Taketani</b>
Director	<b>Kazuto Endo</b>	Auditor	<b>Yuichiro Takada</b>
Director	<b>Kunihiko Mizumoto</b>		

\* Directors Yoshinori Kaneko, Harunobu Kameyama and Yasuhiro Mishima are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act.

\* Auditors Noriaki Taketani and Yuichiro Takada are Outside Auditors as stipulated in Article 2, Item 16 of the Companies Act.

## Share Information

Total number of authorized shares: 40,000,000

Total number of outstanding shares: 16,219,013  
(Excluding 57,292 treasury shares)

Number of shareholders: 12,124

### List of Major Shareholders (Top 10)

Name of Shareholder	Shares Held (shares)	Shareholding Ratio (%)
TEPCO Power Grid, Incorporated	5,671,260	34.96
The Master Trust Bank of Japan, Ltd. (Trust account)	729,600	4.49
FUJI ELECTRIC CO., LTD.	389,902	2.40
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	233,589	1.44
Japan Trustee Services Bank, Ltd. (Trust account 9)	223,600	1.37
TAKAOKA TOKO Employees' Stock Holding Association	220,739	1.36
Japan Trustee Services Bank, Ltd. (Trust account)	219,000	1.35
MITSUI LIFE INSURANCE COMPANY LIMITED	209,700	1.29
Meiji Yasuda Life Insurance Company	200,000	1.23
Japan Trustee Services Bank, Ltd. (Trust account 5)	193,100	1.19

Note: Shareholding ratios are calculated after deducting treasury stock (57,292 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/>

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:

<http://www.smtb.jp/personal/agency/request/>

### ■ Payment of unclaimed dividends:

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