



TAKAOKA TOKO CO., LTD.

Stock Exchange Code: 6617

# The **7**th Fiscal Year **Interim Report**

April 1, 2018 >>> September 30, 2018



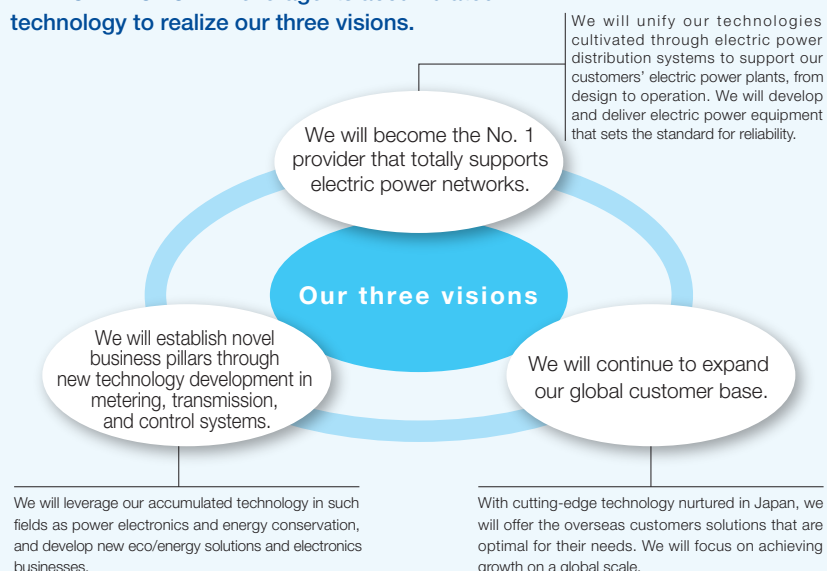
**Toshiro Takebe**

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 7th Fiscal Year Interim Report (from April 1, 2018 to September 30, 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.**



### Overview of the First Half of the Current Fiscal Year (April 1, 2018 to September 30, 2018)

During the first half of the current fiscal year, the Japanese economy remained on a gradual recovery trend due to factors such as an increase in capital investment mainly in rationalization and labor-saving efforts against the backdrop of a recovery in personal consumption and a shortage of labor amid continued improvements in the employment and income environment.

In the electric power industry, the largest clientele of the TAKAOKA TOKO Group (the “Group”), efforts have been made towards improved productivity and thorough cost cutting in the midst of intensifying competitions across business fields and regions due to the full liberalization of the electricity and gas retail market. Meanwhile, private-sector demand remained strong with a focus on renewable energy-related equipment.

In such a business environment, the Group has established the “TAKAOKA TOKO Group Fiscal Year 2020 Medium-Term Management Plan,” and with all employees working together as one to take up the challenge of Kaizen (improvement), has been striving 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.

As a result, for the period under review, we posted net sales of ¥39,828 million (a year-on-year decrease of 11.3%) due to a decline in smart meters and the sales of shares of Reliance Electric Limited held by the Company in the previous consolidated fiscal year, as well as the fact that, in comparison with the previous fiscal year, the sales period of equipment for power receiving for general companies was concentrated during and after the third quarter of the fiscal year.

In terms of profit, we posted operating loss of 324 million yen (operating income of 598 million yen in the previous corresponding period), ordinary loss of 230 million yen (ordinary income of 648 million yen in the previous corresponding period), and loss attributed to shareholders of the parent company of 461 million yen (loss attributed to shareholders of the parent company of 148 million yen in the previous corresponding period), due mainly to differences in the model composition of equipment for power receiving and transforming equipment, in addition to a decrease in net sales despite our steady efforts in reducing costs for smart meters.

The quarterly business results of the Group are prone to seasonal fluctuations due to the tendency of net sales from its mainstay business, the Electric Equipment Business, to focus in the fourth quarter of the fiscal year.

### Outlook for the Fiscal Year

The business environment surrounding the Group is expected to continue to see a trend to curb investment and repair expenses in the electric power industry, although capital investment by private sector companies is on an uptrend.

Under such a business environment, the Group will strive to build new earnings bases by concentrating management resources on growth areas, while further advancing productivity improvements and cost reduction initiatives.

The business forecast of the fiscal year ending on March 31, 2019 remains unchanged from that published on April 24, 2018, estimating net sales of 91,000 million yen, operating income of 3,400 million yen, ordinary income of 3,500 million yen, and profit attributed to shareholders of the parent company of 1,700 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

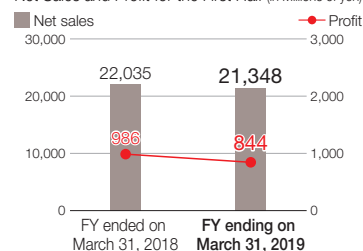
**Major products and services** Equipment for power receiving, transforming and distribution, monitoring and control systems, control equipment, etc.

**Basic strategies of the segment**

- Reduction of all product costs and acceleration of the development of new products
- Sales expansion in social infrastructure areas and to regional electric power companies
- Building bases for overseas business

We achieved net sales of 21,348 million yen (a year-on-year decrease of 3.1%) and segment profit of 844 million yen (a year-on-year decrease of 14.3%), due to decreased sales of equipment for power receiving and overseas construction projects.

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



## Metering Business

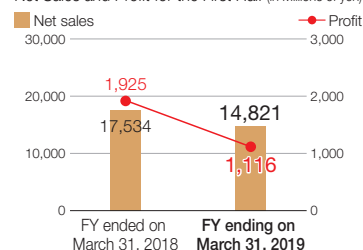
**Major products and services** Transformers, various types of meters (for electricity, gas, and water service), undertaking of replacement of expired meters (\*), etc.  
 \* "Replacement of expired meters" means the replacement work of electric meters conducted pursuant to the Measurement Act.

**Basic strategies of the segment**

- Enhancement of the product lineup of transformers compatible with the separation of electrical power production from power distribution and transmission
- Establishment of efficient production systems in Japan, China and Korea

We achieved net sales of 14,821 million yen (a year-on-year decrease of 15.5%) and segment profit of 1,116 million yen (a year-on-year decrease of 42.0%), due to a decline in smart meters.

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



## Energy Solution Business

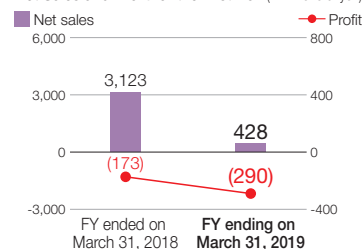
**Major products and services** Energy metering and control equipment, quick chargers for electric vehicles, etc.

**Basic strategies of the segment**

- Leading the market for quick chargers for electric vehicles
- Expansion of businesses related to smart grids

We achieved net sales of 428 million yen (a year-on-year decrease of 86.3%) and segment loss of 290 million yen (segment loss of 173 million yen in the corresponding period of the previous fiscal year), due to the sale of all shares of Reliance Electric Limited held by the Company in the previous consolidated fiscal year.

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



## Information System/Applied Optics Inspection System Business

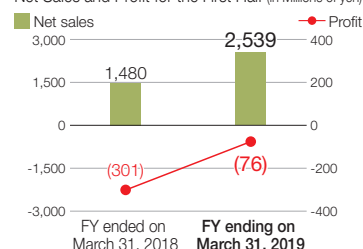
**Major products and services** 3D inspection systems (\*1), thin client systems (\*2), embedded software, etc.  
 \*1 A "3D inspection system" means a system to measure and inspect external appearance (height, depth and surface form) of electronic circuit substrates.  
 \*2 A "thin client system" is 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**

- Promotion of cost reductions in inspection systems and strengthening of overseas sales
- New product development in solutions and communication systems

We achieved net sales of 2,539 million yen (a year-on-year increase of 71.5%) and segment loss of 76 million yen (segment loss of 301 million yen in the corresponding period of the previous fiscal year), due to increased sales of information systems.

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



## Initiatives for effective utilization of energy

For general households, we are making efforts to expand the sales of “SmanecoV2H,” power conversion equipment that utilizes electricity stored in electric vehicles and plug-in hybrids as an energy source.

During the large-scale power outages caused by the Hokkaido Eastern Iburi Earthquake that occurred in September this year, there were cases in which electric power from electric vehicles was used as an emergency power source with the help of this product.

For office buildings and factories, in addition to T-Zone Saver, a highly sensitive motion detection system, and T-Green BEMS, a system that achieves simplified visualization and the optimal operation of facilities, in fiscal 2018 we released T-BCController, a system that predicts energy usage during disasters, and are providing support for the optimal operation of energy sources by supplying systems that combine various products.

Through these initiatives, we will contribute to the effective utilization of environmentally-friendly energy.



SmanecoV2H

## Development and expansion of overseas business

With respect to the plant business, in the African region we have completed the electricity transformation and distribution project in Rwanda, which was in progress.

With respect to the gas transformer business, in the Asian region, we are implementing initiatives aimed at expanding sales by attending ELECRAMA 2018 in India and other exhibitions in Korea and China. These initiatives have achieved results including an increase in the number of orders received from India for gas transformers manufactured by Toko Electric (Suzhou) Co., Ltd., our subsidiary in China.

In addition, we have completed construction of a plant at TAKAOKA TOKO KOREA CO., LTD., which was established in Korea as an overseas base for our gas transformer business, starting our sales strategy in Korea and Asia in earnest.

Through these and other measures, the Group will further promote the development and expansion of our overseas business.



Exterior view of the plant at  
TAKAOKA TOKO KOREA CO., LTD.

## Implementation of companywide productivity improvement activities

In our production departments, initiatives such as the promotion of companywide Kaizen activities and the utilization of IoT tools have been implemented, in addition to upgrades of the production lines for mold instrument transformers, overhead cable switches, and multi-circuit switches with built-in sensor at the Company's Hasuda Factory.

In addition, in our indirect departments, including corporate planning, corporate affairs, and finance and accounting, initiatives aimed at reducing operations by 30% through activities such as visualization and RPA (\*) have been launched in order to increase the added value of operations.

Through these companywide measures, we will promote activities to improve productivity.

(\*) Robotic Process Automation: A mechanism by which a software-type robot installed inside a personal computer takes on and automates deskwork (mainly fixed processes).

### Companywide Kaizen Challenge

All employees will work together as one to take up the challenge of Kaizen



Reconsider the current situation from the outset,  
and drastically improve productivity



Overhead cable switch production line



# Overview of Consolidated Financial Statements

## Consolidated Balance Sheets (In Millions of yen)

Item	Previous Fiscal Year As of March 31, 2018	First Half FY As of September 30, 2018
<b>[Assets]</b>		
<b>Current Assets</b>	<b>51,614</b>	<b>48,494</b>
<b>Non-current Assets</b>	<b>45,095</b>	<b>44,330</b>
Property, plants and equipment	38,610	38,000
Intangible assets	2,988	2,799
Investments and other assets	3,496	3,530
<b>Total Assets</b>	<b>96,710</b>	<b>92,824</b>
<b>[Liabilities]</b>		
<b>Current Liabilities</b>	<b>25,483</b>	<b>23,227</b>
<b>Long-term Liabilities</b>	<b>18,935</b>	<b>17,981</b>
<b>Total Liabilities</b>	<b>44,418</b>	<b>41,208</b>
<b>[Net Assets]</b>		
<b>Shareholders' Equity</b>	<b>47,870</b>	<b>47,009</b>
<b>Accumulated other comprehensive income</b>	<b>345</b>	<b>362</b>
<b>Non-controlling interests</b>	<b>4,076</b>	<b>4,243</b>
<b>Total Net Assets</b>	<b>52,291</b>	<b>51,615</b>
<b>Total Liabilities and Net Assets</b>	<b>96,710</b>	<b>92,824</b>

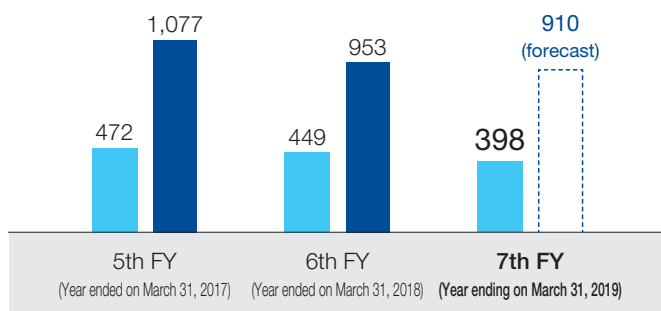
Notes:

- Amounts less than one million yen have been truncated.
- Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Statement No. 28, February 16, 2018) have been applied from the beginning of the first quarter of the fiscal year; therefore, results for the fiscal year ended March 31, 2018 reflect the retroactive application of the standard.

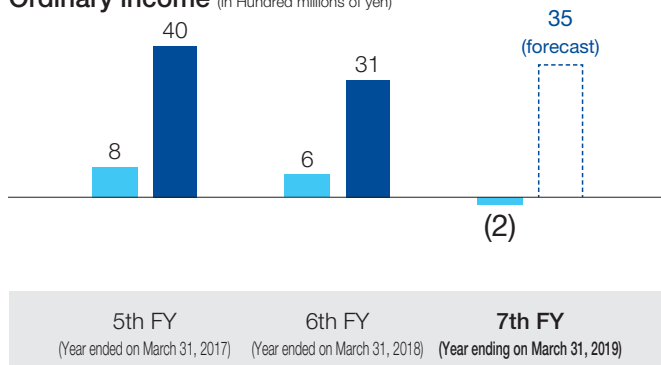
## Consolidated Financial Highlights

■ First Half FY ■ Full FY

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



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



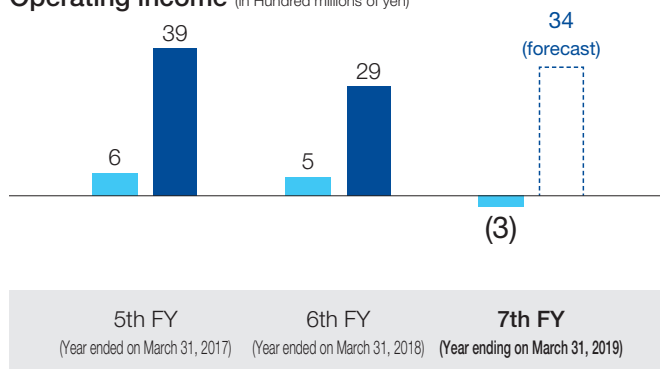
(Note) Amounts less than one hundred million yen are truncated.

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

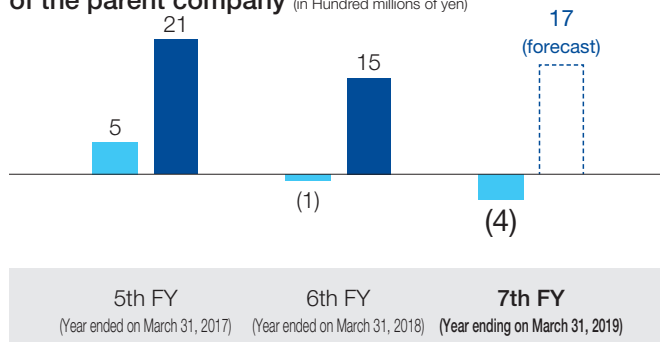
Item	Previous First Half FY From April 1, 2017 to September 30, 2017	Current First Half FY From April 1, 2018 to September 30, 2018
<b>Net sales</b>	<b>44,901</b>	<b>39,828</b>
<b>Cost of sales</b>	<b>36,142</b>	<b>32,311</b>
<b>Gross profit</b>	<b>8,758</b>	<b>7,516</b>
<b>General and administrative expenses</b>	<b>8,160</b>	<b>7,840</b>
<b>Operating income (loss)</b>	<b>598</b>	<b>(324)</b>
<b>Non-operating income</b>	<b>160</b>	<b>157</b>
<b>Non-operating expenses</b>	<b>109</b>	<b>63</b>
<b>Ordinary income (loss)</b>	<b>648</b>	<b>(230)</b>
<b>Extraordinary income</b>	<b>0</b>	<b>0</b>
<b>Extraordinary loss</b>	<b>313</b>	<b>155</b>
<b>Income (loss) before income taxes</b>	<b>336</b>	<b>(385)</b>
<b>Income taxes</b>	<b>129</b>	<b>(96)</b>
<b>Net income (loss)</b>	<b>206</b>	<b>(288)</b>
<b>Profit attributed to non-controlling interests</b>	<b>354</b>	<b>172</b>
<b>Loss attributed to shareholders of the parent company</b>	<b>(148)</b>	<b>(461)</b>

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

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



### Profit attributed to shareholders of the parent company (in Hundred millions of yen)



## Company Profile

Company Name: TAKAOKA TOKO CO., LTD.  
 Established on: October 1, 2012  
 Capital: 8 billion yen  
 Head Office: 8F Hulic 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

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>Yasuhiro Mishima</b>
Director	<b>Shiro Odagiri</b>	Standing Statutory Auditor	<b>Yoshinori Kurosawa</b>
Director	<b>Takenori Fujii</b>	Standing Statutory Auditor	<b>Masaru Takeda</b>
Director	<b>Kazuto Endo</b>	Auditor	<b>Noriaki Taketani</b>
Director	<b>Kunihiko Mizumoto</b>	Auditor	<b>Yuichiro Takada</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: 16,218,742  
 (Excluding 57,563 treasury shares)  
 Number of shareholders: 10,956

### 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)	830,700	5.12
FUJI ELECTRIC CO., LTD.	389,902	2.40
Japan Trustee Services Bank, Ltd. (Trust account 9)	245,800	1.51
Japan Trustee Services Bank, Ltd. (Trust account)	220,100	1.35
TAKAOKA TOKO Employees' Stock Holding Association	216,195	1.33
MITSUI LIFE INSURANCE COMPANY LIMITED	209,700	1.29
Meiji Yasuda Life Insurance Company	200,000	1.23
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	196,827	1.21
Japan Trustee Services Bank, Ltd. (Trust account 5)	196,100	1.20

Note: Shareholding ratios are calculated after deducting treasury stock (57,563 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.ttkk.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:

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

### ■ Payment of unclaimed dividends:

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