



TAKAOKA TOKO CO., LTD.

Stock Exchange Code: 6617



The 9th Fiscal Year Interim Report

April 1, 2020 ▶ September 30, 2020

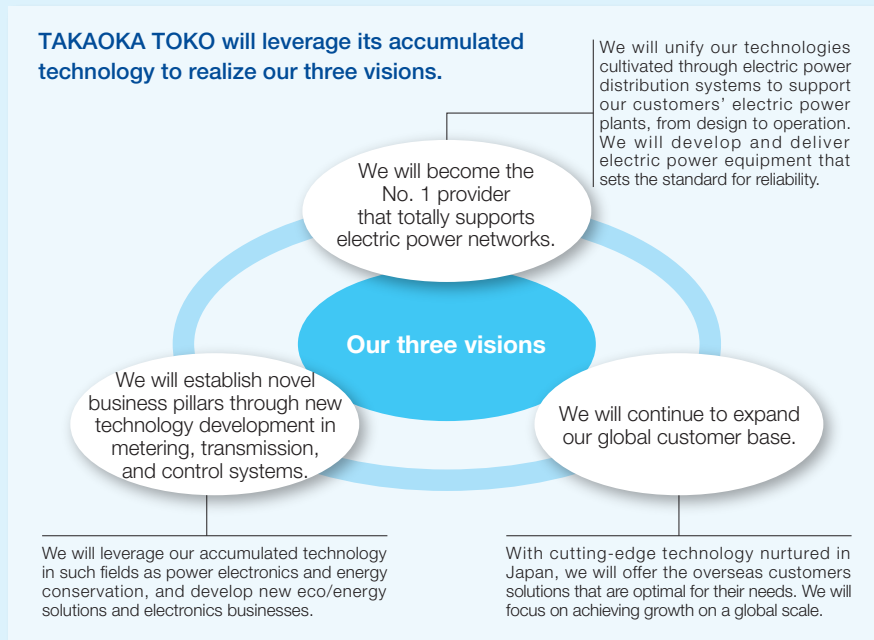


Toshiro Takebe

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 9th Fiscal Year Interim Report (from April 1, 2020 to September 30, 2020) of TAKAOKA TOKO (the “Company”) and report on the overview of our business.



Overview of the First Half of the Current Fiscal Year (April 1, 2020 to September 30, 2020)

During the first half of the current fiscal year, the Japanese economy remained in a severe situation due to the spread of the novel coronavirus (COVID-19). Although the economy is expected to show signs of recovery as a result of various policies, the outlook remains unclear due to uncertainty over trends in COVID-19 in Japan and overseas.

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, demand remained steady for strengthened disaster prevention and electric power resilience-related equipment due to intensifying and broader-area natural disasters, decentralized energy-related equipment, including renewable energy equipment, and the renewal of existing aging equipment in Japan, with a limited impact at the present time from the spread of COVID-19.

On April 27, 2020, the Group revised the target figures in the “TAKAOKA TOKO Group Fiscal Year 2020 Medium-Term Management Plan,” taking into comprehensive consideration the market environment and the current status of the Company. However, we are continuing to work on 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 our basic policies of “improving the profitability of existing businesses,” “building new earnings bases,” and “strengthening the management base.”

As a result, for the period under review, we posted net sales of ¥40,546 million (a year-on-year increase of 4.4%) due to an increase in plants and power distribution equipment sales, despite a decrease in overseas construction projects.

In terms of profit, we posted operating income of 406 million yen (operating loss of 1,191 million yen in the previous corresponding period), ordinary income of 397 million yen (ordinary loss of 1,169 million yen in the previous corresponding period), and profit attributed to shareholders of the parent company of 71 million yen (loss attributed to shareholders of the parent company of 887 million yen in the previous corresponding period), due to an increase in net sales and fluctuations in the model composition.

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

In the business environment surrounding the Group, it is expected that competition in the domestic electric power industry will further intensify and the trend for electric power companies to curb capital investment and repair costs will continue. In addition, with regard to the impact of COVID-19, we are paying close attention to delays and postponements of overseas construction projects and some domestic projects.

Under such a business environment, the Group will strive to build new profitable business centered on energy management systems by utilizing all our domestic and overseas bases and resources, while continuing to work as one on Kaizen (improvement) activities and accelerate productivity improvements and cost reduction initiatives.

The business forecast of the fiscal year ending on March 31, 2021 remains unchanged from that published on April 27, 2020, estimating net sales of 92,000 million yen, operating income of 2,300 million yen, ordinary income of 2,400 million yen, and profit attributed to shareholders of the parent company of 1,100 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.

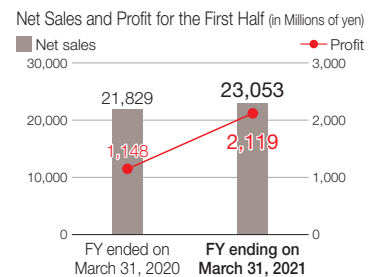
Status by Segment

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	<ul style="list-style-type: none"> 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

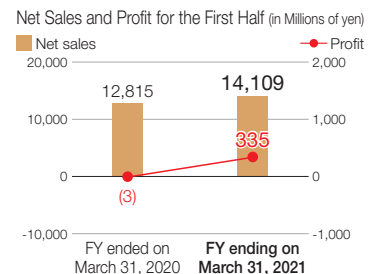
We achieved net sales of 23,053 million yen (a year-on-year increase of 5.6%) and segment profit of 2,119 million yen (a year-on-year increase of 84.6%), due to an increase in plants and power distribution equipment sales, despite a decrease in overseas construction projects.



Metering Business

Major products and services	Transformers, various types of meters (for electricity, gas, and water services), undertaking replacement of expired meters ⁽¹⁾ , etc. * "Replacement of expired meters" means the replacement work of electric meters conducted pursuant to the Measurement Act.
Basic strategies of the segment	<ul style="list-style-type: none"> 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

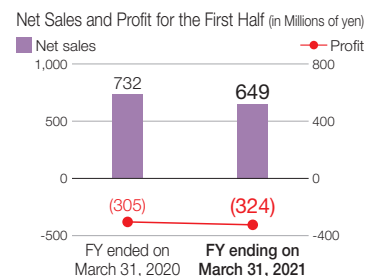
We achieved net sales of 14,109 million yen (a year-on-year increase of 10.1%) and segment profit of 335 million yen (segment loss of 3 million yen in the corresponding period of the previous fiscal year), due to increases in sales of smart meters and transformers.



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

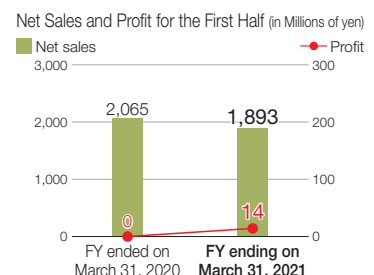
We achieved net sales of 649 million yen (a year-on-year decrease of 11.4%) and segment loss of 324 million yen (segment loss of 305 million yen in the corresponding period of the previous fiscal year), due to a decrease in EMS-related net sales.



Information System/Applied Optics Inspection System Business

Major products and services	3D inspection systems ⁽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	<ul style="list-style-type: none"> 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 1,893 million yen (a year-on-year decrease of 8.3%) and segment profit of 14 million yen (segment profit of 0 million yen in the corresponding period of the previous fiscal year), due to increased sales of information systems and fluctuations in the model composition, despite a decline in sales of mechatronics equipment.



Response to next-generation public works

Public works in Japan are gradually changing from “specification orders” that specify in detail matters such as materials and construction methods, to “performance orders” that leave specifications to the discretion of the operator. We applied for the “open proposal” business, which is a form of performance order, as a representative company, and received orders from three local governments, including Tomakomai City and Hachinohe City, totaling approximately 900 million yen ^(*).

By combining unconventional products, such as lighting and scoreboards, with conventional products, such as power receiving and transformation equipment, and providing one-stop design, construction and maintenance, these projects feature both low price and high functions that cannot be achieved with specification orders, and have been highly evaluated by customers.

Going forward, by working on the open proposal business, we will cultivate the ability to respond to “performance orders,” which are regarded as the next-generation public orders, and in the future we will expand orders in the public works field while aiming for a long-term business operation model such as the PFI^(**) business. In addition, in the approaching era of sophisticated energy use, we will actively promote the development of sales channels to local governments, which will be the main players, through these initiatives.

(*) The three orders received as open proposal businesses are as follows: 1. The Hakucho Oji Ice Arena Lighting Display System and Lighting Equipment Renewal Project (Tomakomai City); 2. The Taga Multipurpose Athletic Field Natural Turf Ball Game Stadium Lighting Maintenance Project (Hachinohe City); and 3. The Nirasaki City Public Facility LED Lighting Conversion Project (Nirasaki City).

(**) Abbreviation for Private Finance Initiative. A method for the construction, maintenance, and operation of public facilities utilizing private financing, management capabilities and technical abilities.



The completed Hakucho Oji Ice Arena
We installed LED lighting in the ceiling and the electronic scoreboard on the far right.

Rectification of production processes

The Company promotes Kaizen (improvement) activities by all employees and is working to improve productivity in all departments.

Production departments are fundamentally reviewing conventional production processes and promoting the rectification of production processes. In our fictitious switch manufacturing lines, we digitized the collection of work results for each process, optimized the staffing and work time for each process, and reviewed all line layouts and production processes. This latest rectification of production processes has significantly reduced the distance covered by products and workers, which in turn shortens production lead times and reduces inventories.

Going forward, we will continue Kaizen activities on a companywide basis, accelerate productivity improvements and cost reductions, and strive to improve our corporate value.



Switch plant engaged in rectification

Initiatives for ESG and SDGs

The Group has been implementing various initiatives related to ESG ^(*) and SDGs ^(**).

On the business side, we are working on sales of power receiving and transformation equipment for power plants, the verification of electric power supply and demand control systems, and the development and verification of P2G-related systems that convert surplus electric power generated from solar power generation into gases such as hydrogen, aimed at the effective use of renewable energy. In-house, we have installed a solar power generation plant at the Oyama Division and are working to reduce the environmental burden. In addition, Takaoka Engineering Co., Ltd.'s solar power generation introduction project and electric power infrastructure improvement project, which it is conducting overseas, were posted on a dedicated website, set up by the Japan Business Federation, for the Sustainable Development Goals (SDGs) as an example that falls under “Affordable and clean energy,” one of the SDGs.

In September 2020, we published a CSR Report, which consolidated under one report the initiatives we had previously introduced individually, including governance, environment, social contribution, and human resource training, and introduces the relationship between ESG and SDGs with regard to the Group's business.

Going forward, the Group will continue with its aim of resolving issues from a global perspective.

(*) An acronym for Environment, Social and Governance, which is required for the long-term improvement of corporate value.

(**) SDGs are international goals to realize a sustainable world, which were adopted at the United Nations Sustainable Development Summit 2015 held in September 2015.



CSR Report
(Posted on the Company's website)

Overview of Consolidated Financial Statements

Consolidated Balance Sheets (in Millions of yen)

Item	Previous Fiscal Year As of March 31, 2020	First Half FY As of September 30, 2020
[Assets]		
Current Assets	56,108	50,834
Non-current Assets	44,484	43,653
Property, plants and equipment	37,154	36,651
Intangible assets	2,673	2,549
Investments and other assets	4,656	4,451
Total Assets	100,592	94,487
[Liabilities]		
Current Liabilities	28,091	23,366
Long-term Liabilities	21,054	19,965
Total Liabilities	49,146	43,332
[Net Assets]		
Shareholders' Equity	48,137	47,814
Accumulated other comprehensive income	(607)	(503)
Non-controlling interests	3,916	3,844
Total Net Assets	51,446	51,155
Total Liabilities and Net Assets	100,592	94,487

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

Consolidated Statements of Income (in Millions of yen)

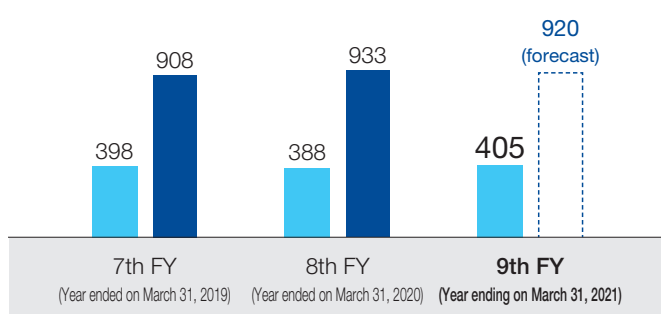
Item	Previous First Half FY From April 1, 2019 to September 30, 2019	Current First Half FY From April 1, 2020 to September 30, 2020
Net sales	38,830	40,546
Cost of sales	32,020	32,481
Gross profit	6,809	8,064
General and administrative expenses	8,001	7,657
Operating income (loss)	(1,191)	406
Non-operating income	133	127
Non-operating expenses	111	136
Ordinary income (loss)	(1,169)	397
Extraordinary income	0	3
Extraordinary loss	64	47
Income (loss) before taxes	(1,234)	352
Income taxes	(144)	350
Net income (loss)	(1,090)	2
Loss attributed to non-controlling interests	(203)	(69)
Profit (loss) attributed to shareholders of the parent company	(887)	71

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

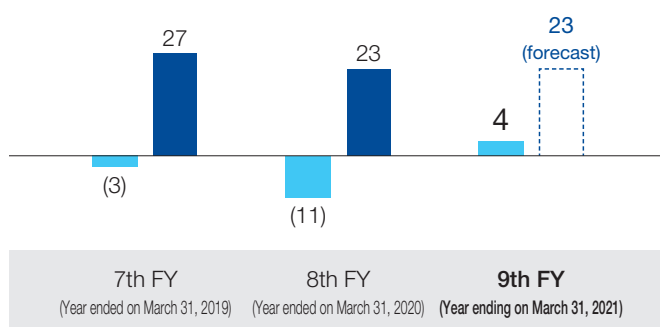
Consolidated Financial Highlights

■ First Half FY ■ Full FY

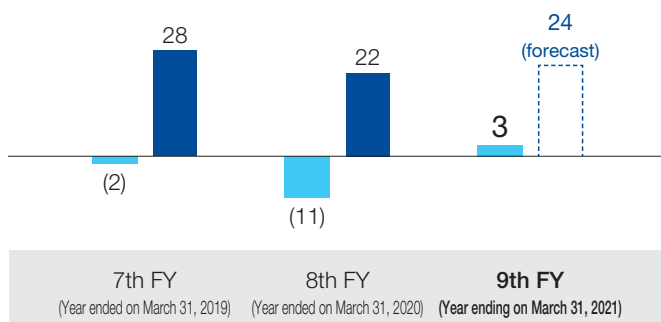
Net sales (in Hundred millions of yen)



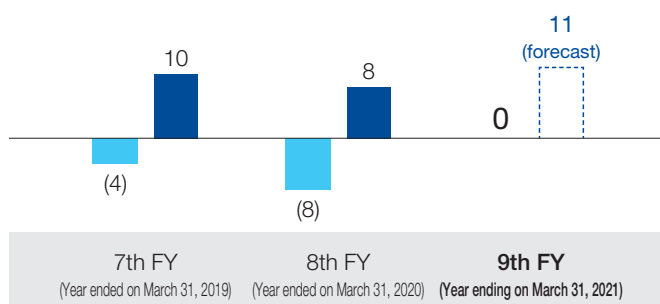
Operating income (in Hundred millions of yen)



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	Toshiro Takebe	Director (Full-Time Audit and Supervisory Committee Member)	Yoshinori Kurosawa
Director	Naoshi Nishikawa	Director (Audit and Supervisory Committee Member)	Noriaki Taketani
Director	Takenori Fujii	Director (Audit and Supervisory Committee Member)	Yuichiro Takada
Director	Yoshinori Kaneko	Director (Audit and Supervisory Committee Member)	
Director	Harunobu Kameyama		
Director	Yasuhiro Mishima		
Director	Akira Uemura		

* 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: 16,217,695
 (Excluding 58,610 treasury shares)
 Number of shareholders: 12,575

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)	794,800	4.90
Custody Bank of Japan, Ltd. (Trust account)	377,900	2.33
GOVERNMENT OF NORWAY	328,800	2.02
TAKAOKA TOKO Employees' Stock Holding Association	277,038	1.70
Custody Bank of Japan, Ltd. (Trust account 5)	223,600	1.37
TAIJU LIFE INSURANCE COMPANY LIMITED	209,700	1.29
DFA INTL SMALL CAP VALUE PORTFOLIO	207,444	1.27
Meiji Yasuda Life Insurance Company	200,000	1.23
Sumitomo Mitsui Trust Bank, Limited	178,700	1.10

Note 1: Shareholding ratios are calculated after deducting treasury stock (58,610 shares).
 Note 2: Japan Trustee Services Bank, Ltd. changed its corporate name to Custody Bank of Japan, Ltd. as of July 27, 2020 due to a merger.

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/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.