



# The 5<sup>th</sup> Fiscal Year Business Report

April 1, 2016 »» March 31, 2017

**TAKAOKA TOKO CO., LTD.**

Stock Exchange Code: 6617



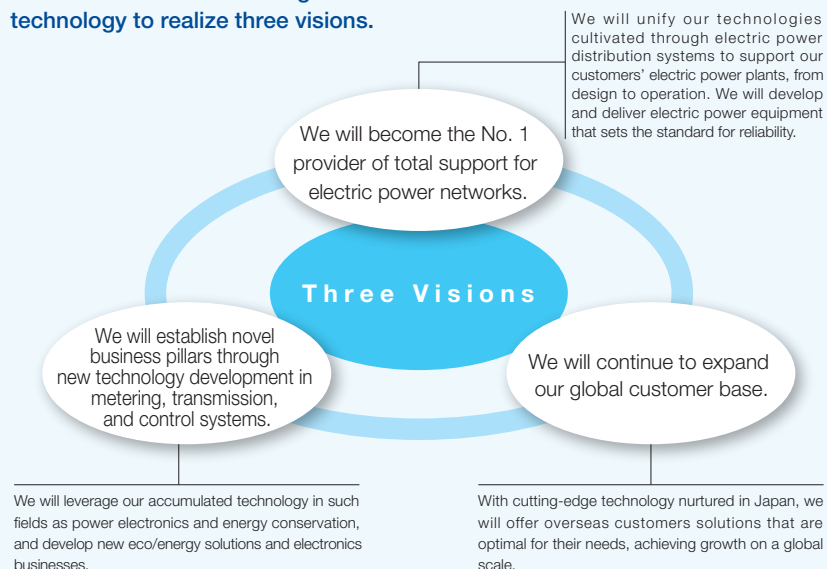
**Hiroaki Takatsu**

President and Representative Director  
TAKAOKA TOKO CO., LTD.

I would like to express my heartfelt gratitude to all shareholders for their continued support.

I hereby present the 5th Fiscal Year Report (from April 1, 2016 to March 31, 2017) of TAKAOKA TOKO (the “Company”) and report on the overview of our business.

### TAKAOKA TOKO will leverage its accumulated technology to realize three visions.



## Progress and Results of Business Operations

During the fiscal year under review, the yen strengthened against the dollar in the first half of the year but changed direction toward depreciation in the second half, and the Japanese economy showed signs of recovery including that in foreign demand, albeit on a slow pace.

In the electric power industry, the largest clientele of the TAKAOKA TOKO Group (the “Group”), while a trend to curb capital investment and repair expenses continued under efforts to thoroughly improve efficiency and streamline management, demand for smart meters was favorable.

Meanwhile, with regard to business related to private equipment, investment plans for replacement and maintenance, expansion of production capacity as well as efficiency improvement and labor saving were stable, although there was a seeming lull in investment related to renewable energy.

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 2016 Medium-Term Management Plan (2016 – 2018),” in anticipation of the electricity system reform.

As a result, for the consolidated fiscal year under review, we posted net sales of 107,763 million yen (a year-on-year decrease of 6.4%), operating income of 3,983 million yen (a year-on-year increase of 48.1%), ordinary income of 4,080 million yen (a year-on-year increase of 43.2%) and net profit attributed to shareholders of the parent company of 2,101 million yen (a year-on-year increase of 38.9%).

## Status of Capital Investment

We made capital investment of 3,957 million yen in total, mainly for expansion of business, such as update and reinforcement of facilities related to mold equipment, and reconstruction of integrated business systems.

## Issues to Be Addressed

In the management environment surrounding the Group, the market environment is expected to continue to change against the backdrop of the electricity system reform, including the separation of electrical power production from power distribution and transmission.

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 for some time. 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 Internet of Things (IoT), artificial intelligence (AI), and utilization of big data, 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:

Following an organizational change, under which the transformer business and the meter business of the Electric Equipment Business were integrated under the newly established "Metering Business Division" for the goal of enhancing competitiveness in the markets of meters and transformers, reportable segments will be changed to "Electric Equipment Business," "Metering Business," "Energy Solution Business," and "Information System/Applied Optics Inspection System Business," starting from the fiscal year ending on March 31, 2018.

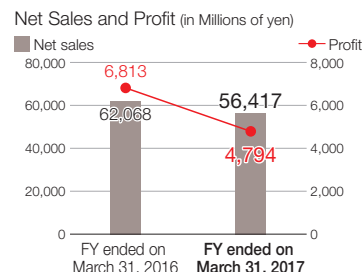
### Electric Equipment Business

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

**Basic strategies of the segment**

- Enhancement of production lines for expansion of orders received and improvement of productivity for strengthening of price competitiveness
- Development of product and service lineups in line with customer needs
- Building of a lifecycle management business as an initiative under the shift of focus to services
- Expansion of the overseas engineering business

Results from this business include net sales of 56,417 million yen (a year-on-year decrease of 9.1%) and segment profit of 4,794 million yen (a year-on-year decrease of 29.6%) due to decreased sales of electric power plant products such as transformers, and construction projects.



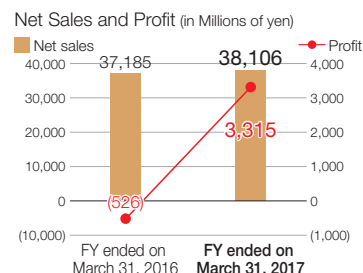
### Metering Business

**Major products and services** Manufacturing and sale of various kinds of meters, 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**

- Promotion of consolidation of smart meter business locations in the Hasuda area
- Optimization of overall operations through construction of a value chain (planning → manufacturing → delivery → construction → management) in tandem with customers
- Expansion of domains of the smart meter business to gas and water service in addition to electric power

Results from this business include net sales of 38,106 million yen (a year-on-year increase of 2.5%) and segment profit of 3,315 million yen (segment loss of 526 million yen in the corresponding period of the previous fiscal year) as a result of a sharp increase in demand for smart meters for domestic electric power companies, despite a decline in net sales resulting from a change in the supply method of materials for replacement of expired meters (electric meters and others).



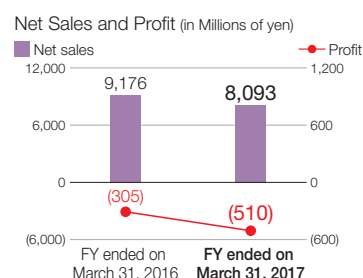
### Energy Solution Business

**Major products and services** Metering and control equipment, quick chargers for electric vehicles, drive elements for industrial equipment, etc.

**Basic strategies of the segment**

- Expansion of business in the electric vehicle (EV)-related market, targeting the largest share for quick chargers
- Development of products and services in anticipation of the creation of a resource aggregator market and early entry into the said market

Results from this business include net sales of 8,093 million yen (a year-on-year decrease of 11.8%) and segment loss of 510 million yen (segment loss of 305 million yen in the corresponding period of the previous fiscal year), mainly due to a significant reduction of scale of the subsidy business for quick chargers for electric vehicles.



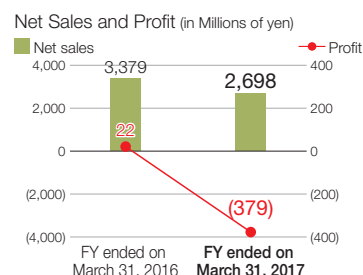
### Information System/Applied Optics Inspection System Business

**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 features high security against leakage of information, including personal information.

**Basic strategies of the segment**

- Advancement of authentication technology and development of corresponding products toward work style reform
- Expansion into new domains, including the medical field, based on original 3D measuring technology

Results from this business include net sales of 2,698 million yen (a year-on-year decrease of 20.1%) and segment loss of 379 million yen (segment profit of 22 million yen in the corresponding period of the previous fiscal year) due to decreased sales of applied optics inspection systems.

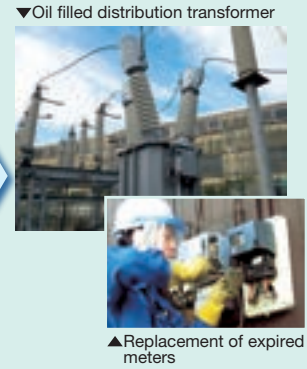
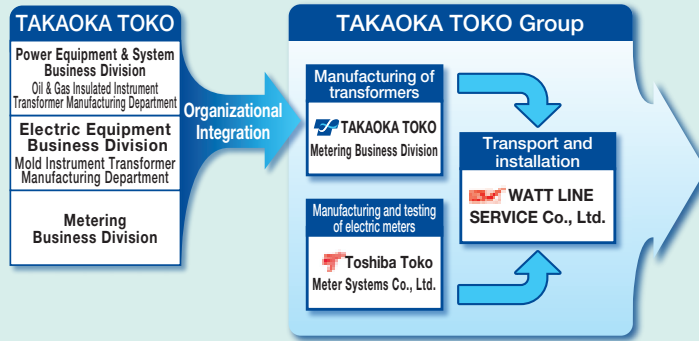


## Establishment of Metering Business Division

The Company established the Metering Business Division as of January 1, 2017.

The Division is an organization in which the meter business and the instrument transformer business, which had previously been scattered across the Company's segments and business divisions, have been integrated. It was established with a view to enhancing competitiveness in the meter and instrument transformer markets that are expected to grow following the separation of electrical power production from power distribution and transmission, which will be rolled out as part of the nation's electricity system reform.

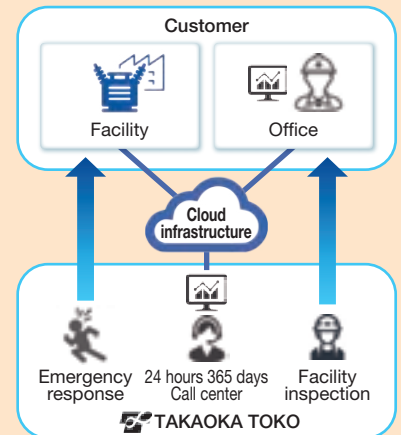
Through the establishment of the Division, the Company will push forward with various measures, including 1) development of products that match the needs of customers, 2) solutions-type, proposal-based marketing and 3) provision of one-stop service by the TAKAOKA TOKO Group, covering manufacturing of electric meters and instrument transformers, testing service and transportation/installation work, and proactively expand these measures to acquire business chances.



## Further expansion of the maintenance business ~To support the entire lifecycle of customers' facilities~

With the impact of power outages caused by accidents becoming increasingly tremendous these days, there is greater importance given to handling of systems for maintaining safety at power distribution facilities. Fortunately, automated reporting of breakdowns, remote assistance in breakdown recovery, and predictions for accident and disruption forecasts are made possible thanks to the advancements in IoT as well as predictive maintenance technologies.

The Company will push ahead with further expansion of the maintenance business, seeking to enhance services to support the overall lifecycle of power distribution facilities, from introduction and operation to life extension and replacement of systems, by leveraging technologies cultivated through the manufacturing of power distribution equipment and capabilities nurtured through maintenance of power distribution systems.



Maintenance support by TAKAOKA TOKO

## SmanecoV2H (power conditioner for EVs and PHVs) started

In April 2017, the Company started selling "SmanecoV2H," a system that makes it possible to convert electricity stored in an electric vehicle (hereinafter referred to as "EV") or a plug-in hybrid car (hereinafter referred to as "PHV") into electricity for household use (power conditioner).

By installing this product, it will become possible to effectively charge electricity in EV or PHV during time zones when power rates are low such as at night, and use it to power your home when power rates are high such as during daytime and other time zones.

This product is smaller than equipment of other companies, which was made possible by setting its capacity at 3kW, and its price is reasonable.

We will proactively develop marketing to make the new product a new pillar of products related to charging infrastructure.

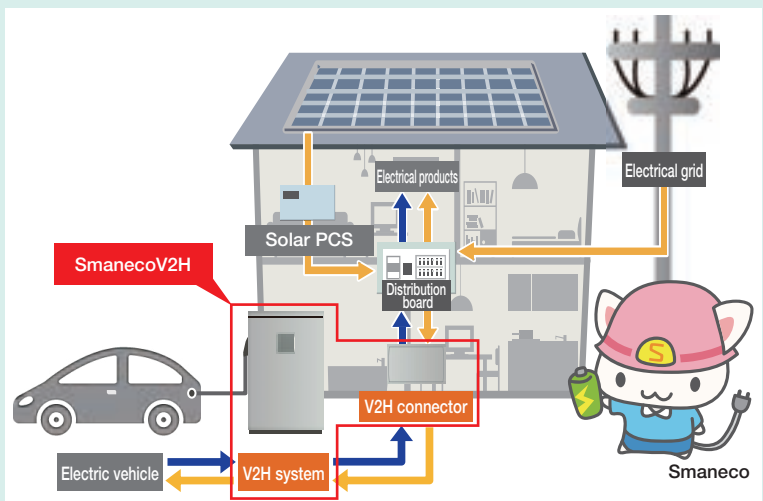


Image of SmanecoV2H installation

# Overview of Consolidated Financial Statements

## Consolidated Balance Sheets (in Millions of yen)

Item	Previous Fiscal Year As of March 31, 2016	Current Fiscal Year As of March 31, 2017
<b>[Assets]</b>		
<b>Current Assets</b>	<b>61,801</b>	<b>60,726</b>
<b>Non current Assets</b>	<b>46,214</b>	<b>47,096</b>
Property, plants and equipment	40,701	40,941
Intangible assets	2,686	3,229
Investments and other assets	2,825	2,924
<b>Total Assets</b>	<b>108,016</b>	<b>107,822</b>
<b>[Liabilities]</b>		
<b>Current Liabilities</b>	<b>36,056</b>	<b>33,625</b>
<b>Long-term Liabilities</b>	<b>22,688</b>	<b>23,041</b>
<b>Total Liabilities</b>	<b>58,745</b>	<b>56,666</b>
<b>[Net Assets]</b>		
<b>Shareholders' Equity</b>	<b>46,142</b>	<b>47,431</b>
<b>Accumulated other comprehensive income</b>	<b>312</b>	<b>110</b>
<b>Non-controlling interests</b>	<b>2,814</b>	<b>3,614</b>
<b>Total Net Assets</b>	<b>49,270</b>	<b>51,155</b>
<b>Total Liabilities and Net Assets</b>	<b>108,016</b>	<b>107,822</b>

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

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

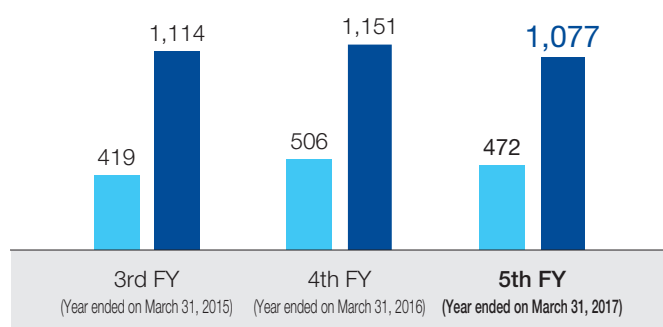
Item	Previous FY From April 1, 2015 to March 31, 2016	Current FY From April 1, 2016 to March 31, 2017
<b>Net sales</b>	<b>115,169</b>	<b>107,763</b>
<b>Cost of sales</b>	<b>97,024</b>	<b>87,904</b>
<b>Gross profit</b>	<b>18,144</b>	<b>19,859</b>
<b>General and administrative expenses</b>	<b>15,454</b>	<b>15,875</b>
<b>Operating income</b>	<b>2,690</b>	<b>3,983</b>
<b>Non-operating income</b>	<b>426</b>	<b>446</b>
<b>Non-operating expenses</b>	<b>266</b>	<b>349</b>
<b>Ordinary income</b>	<b>2,850</b>	<b>4,080</b>
<b>Extraordinary income</b>	<b>956</b>	<b>190</b>
<b>Extraordinary loss</b>	<b>1,947</b>	<b>1,001</b>
<b>Income before income taxes</b>	<b>1,859</b>	<b>3,269</b>
<b>Income taxes</b>	<b>1,085</b>	<b>344</b>
<b>Net income</b>	<b>774</b>	<b>2,924</b>
<b>Profit (loss) attributable to non-controlling interests</b>	<b>(738)</b>	<b>823</b>
<b>Profit attributable to owners of the parent</b>	<b>1,512</b>	<b>2,101</b>

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

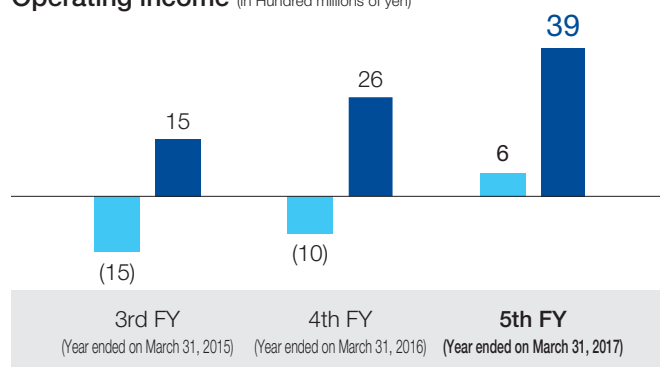
## Consolidated Financial Highlights

■ First half FY ■ Full FY

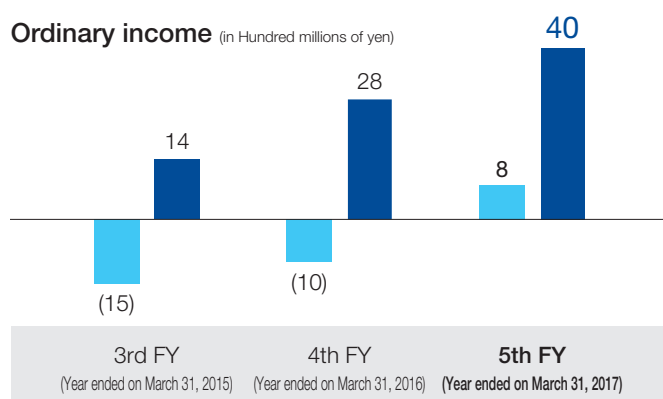
### Net sales (in Hundred millions of yen)



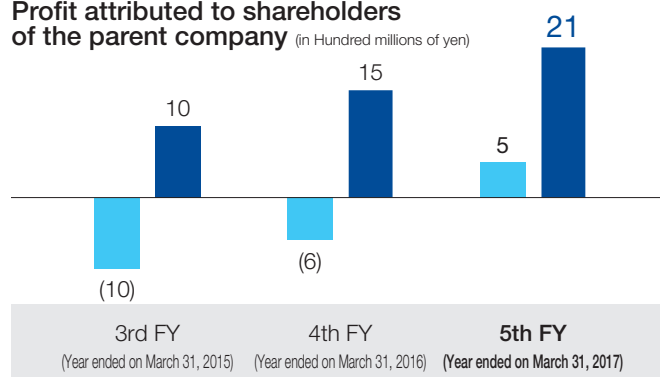
### Operating income (in Hundred millions of yen)



### 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 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  
 Toko Electric (Suzhou) Co., Ltd.  
 Takaoka Densetsu Co., Ltd.  
 FUSHUN TAKAOKA SWITCHGEAR COMPANY LIMITED  
 WATT LINE SERVICE Co., Ltd.  
 Toshiba Toko Meter Systems Co., Ltd.  
 Reliance Electric Limited  
 RAS COMPANY, LIMITED  
 MintWave Co., Ltd.  
 UQUEST, LTD.

## Directors and Corporate Auditors (As of June 26, 2017)

President and Representative Director	Hiroaki Takatsu	Director	Yoshinori Kaneko
Director	Naoshi Nishikawa	Director	Harunobu Kameyama
Director	Shiro Odagiri	Director	Yasuhiro Mishima
Director	Yoshiyuki Dofutsu	Standing Statutory Auditor	Yoshinori Kurosawa
Director	Futoshi Kuriyama	Standing Statutory Auditor	Masaru Takeda
Director	Takenori Fujii	Auditor	Noriaki Taketani
Director	Kazuto Endo	Auditor	Yuichiro Takada

\*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: 16,219,803  
 (Excluding 56,502 treasury shares)  
 Number of shareholders: 10,563

### 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)	501,600	3.09
Japan Trustee Services Bank, Ltd. (Trust account)	432,300	2.66
FUJI ELECTRIC CO., LTD.	389,902	2.40
Japan Trustee Services Bank, Ltd. (Trust account 9)	287,700	1.77
TAKAOKA TOKO Employees' Stock Holding Association	212,758	1.31
MITSUI LIFE INSURANCE COMPANY LIMITED	209,700	1.29
Meiji Yasuda Life Insurance Company	200,000	1.23
Government of Norway	187,300	1.15
Japan Trustee Services Bank, Ltd. (Trust account 5)	186,000	1.14

Note: Shareholding ratios are calculated after deducting treasury stock (56,502 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: <http://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.

## Information on shareholder incentives

The Company will send discount coupons for purchasing main units or replacement cartridges of the Company's very own "Active BIO II" hydrogen water generator or the "H<sub>2</sub>Oasis PREMIUM" hydrogen water generator (a 50% discount from the suggested retail price of either the main unit or replacement cartridge of the "Active BIO II" hydrogen water generator; or a discount equivalent to 45% of the suggested retail price of the "H<sub>2</sub>Oasis PREMIUM" hydrogen water generator or a 30% discount for its replacement cartridge)\* to shareholders stated or recorded in the shareholder registry as of March 31 every year.

For further details, please refer to the Company's website (<https://www.tktk.co.jp/ir/stockinfo/shareholder/>).



"Active BIO II" hydrogen water generator:  
<http://www.wd.activebio.jp/>

Active BIO II



"H<sub>2</sub>Oasis PREMIUM" hydrogen water generator:  
<http://h2oasis.jp/>

H<sub>2</sub>Oasis PREMIUM

### Inquiries:

Corporate Affairs Department (TEL: +81-3-6371-5000)

### Inquiries about the products:

Customer Support Center TAKAOKA TOKO CO., LTD.

0120-583-037 Business hours: 9:00 – 17:00 Japan Time  
 (excluding Saturdays, Sundays and national holidays)