



The 6th Fiscal Year Interim Report

April 1, 2017 >>> September 30, 2017

TAKAOKA TOKO CO., LTD.

Stock Exchange Code: 6617



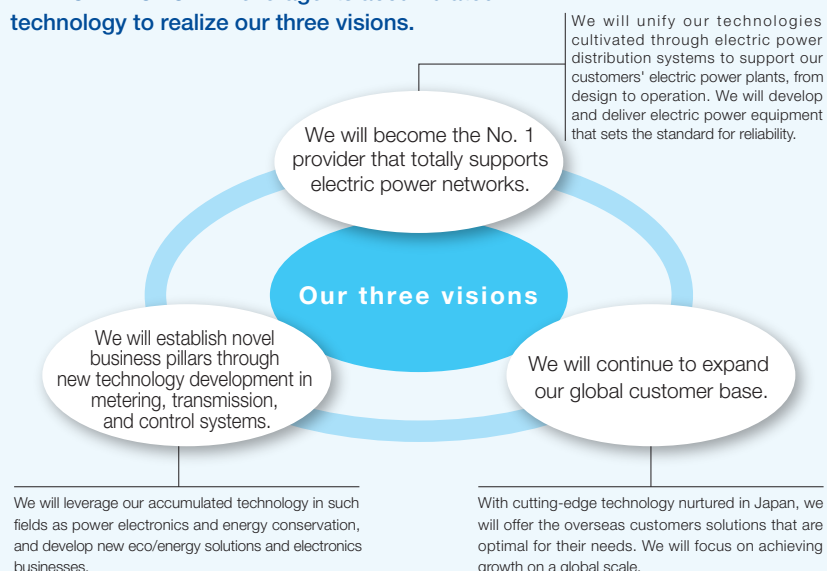
Hiroaki Takatsu

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 Interim Report (from April 1, 2017 to September 30, 2017) 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, 2017 to September 30, 2017)

During the first half of the current fiscal year, the Japanese economy showed an overall favorable trend as evidenced by an increase in capital investment, albeit at a slow pace.

In the electric power industry, the largest clientele of the TAKAOKA TOKO Group (the “Group”), alongside a trend to curb investment and repair expenses continued under efforts to thoroughly improve efficiency and streamline management, demand for smart meters, which peaked during the previous fiscal year when electricity liberalization began, came to a slowdown.

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

In such a business environment, the Group has established a new “TAKAOKA TOKO Group Fiscal Year 2017 Medium-Term Management Plan,” focusing on expansion of business domains and reform of business models, in anticipation of the electricity system reform.

Finally, for the period under review, we posted net sales of 44,901 million yen (a year-on-year decrease of 4.9%), due to the reactionary decline in smart meters, despite the favorable performance of the Electric Equipment Business.

In terms of profit, we posted operating income of 598 million yen (a year-on-year decrease of 14.1%), ordinary income of 648 million yen (a year-on-year decrease of 25.5%) and loss attributed to shareholders of the parent company of 148 million yen (profit attributed to shareholders of the parent company of the previous corresponding period was 507 million yen), due mainly to decreases in net sales and non-operating income and an increase in extraordinary loss, 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 going forward remains unpredictable, with the investment curb in the electric power industry expected to continue, despite the stability of private demand.

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.

The business forecast of the fiscal year ending on March 31, 2018 remains unchanged from that published on April 27, 2017, estimating net sales of 105,000 million yen, operating income of 3,000 million yen, ordinary income of 3,100 million yen, and profit attributed to shareholders of the parent company of 1,500 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:

The reportable segments have been changed from the three months ended on June 30, 2017.

Electric Equipment Business

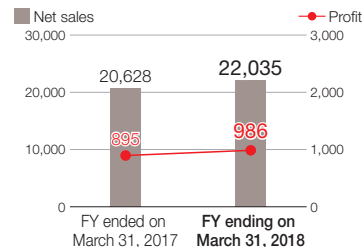
Major products and services Equipment for power receiving, transforming and distribution, monitoring and control systems, control equipment, etc.

Basic strategies of the segment

- Promotion of the reduction of all product costs
- Further development of the maintenance business that utilizes *ITXOT*
- Expansion of overseas business areas

In terms of business earnings, we achieved net sales of 22,035 million yen (a year-on-year increase of 6.8%) and segment profit of 986 million yen (a year-on-year increase of 10.2%) due to increased sales of equipment for power receiving and overseas construction projects.

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



Metering Business

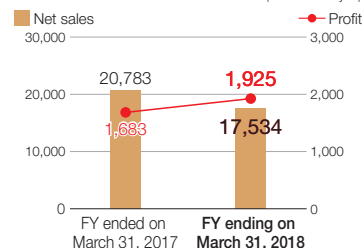
Major products and services Transformers⁽¹⁾, meters (for electricity, gas, and water service), undertaking of replacement of expired meters⁽²⁾, etc.
^{*1} From the fiscal year ending on March 31, 2018, the transformer business and the former metering business, etc., previously under the Electric Equipment Business, are integrated into the Metering Business.
^{*2} "Replacement of expired meters" pertains to replacement work of electric meters conducted pursuant to the Measurement Act.

Basic strategies of the segment

- Early participation in the new market of separated electrical power production from power distribution and transmission
- Total reduction of cost of electricity-oriented products
- Construction of a metering platform

In terms of business earnings, we achieved net sales of 17,534 million yen (a year-on-year decrease of 15.6%) and segment profit of 1,925 million yen (a year-on-year increase of 14.3%) as a result of the reactionary decline in smart meters.

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



Energy Solution Business

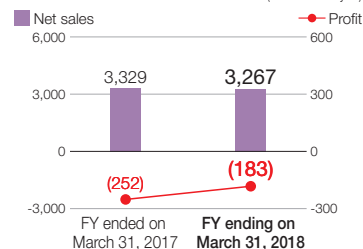
Major products and services Energy metering and control equipment, quick chargers for electric vehicles, drive elements for industrial equipment, etc.

Basic strategies of the segment

- Selection and focusing of businesses with an aim to turn profitable
- Early monetization of businesses related to smart grids based on the results of the Niijima and VPP verifications, etc.

In terms of business earnings, we achieved net sales of 3,267 million yen (a year-on-year decrease of 1.9%) and segment loss of 183 million yen (segment loss of 252 million yen in the corresponding period of the previous fiscal year) due to decreased sales of EMS-related products.

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



Information System/Applied Optics Inspection System Business

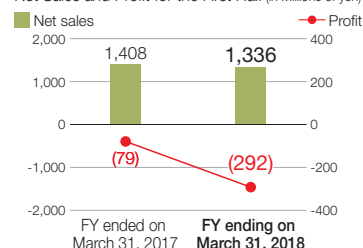
Major products and services 3D inspection systems⁽¹⁾, thin client systems⁽²⁾, embedded software, etc.
^{*1} A "3D inspection system" pertains to a system to measure and inspect external appearance (height, depth and surface form) of electronic circuit substrates.
^{*2} A "thin client system" is a simple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

- Entrance into new markets (cosmetics, bio) through the sales of new devices
- Development of businesses that accumulate the Group's IoT technologies

In terms of business earnings, we achieved net sales of 1,336 million yen (a year-on-year decrease of 5.1%) and segment loss of 292 million yen (segment loss of 79 million yen in the corresponding period of the previous fiscal year) due to decreased sales of applied optics inspection systems.

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



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 Fiscal Year 2017 Medium-Term Management Plan. To support this initiative, the Group has established the International Business Department, where human resources and information for this purpose are accumulated, in June 2017.

Under this framework, as our initiatives for overseas-related projects this fiscal year, the Group established TAKAOKA TOKO KOREA CO., LTD., a subsidiary for the manufacture and sales of gas transformers in Korea, as well as a representative office in the Philippines, which serves as a base for entering overseas markets and for strengthening sales activities.

Furthermore, in line with the investment policies and other plans for developing countries established by the Japanese government and JICA, the Group is also working on overseas businesses that contribute to the promotion and development of infrastructure in developing countries in the African and Asian regions. Our large-scale projects this fiscal year include the completion of the electricity transformation, and transmission and distribution project in Tanzania, Africa, and we are proceeding with the electricity transformation and distribution project in Rwanda, Africa. In addition, in the Asian regions, we are proceeding with the electricity transformation and transmission project in Myanmar.

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



The completed electrical substation in Tanzania

Completion of work on the “eco-friendly electrical substation,” commissioned by Metropolitan Expressway Company Limited

This July, the Group completed work on the “repair work of the Tokyo west area eco-friendly electrical substation,” which started in October 2014, commissioned by Metropolitan Expressway Company Limited.

The purpose of the construction project was to repair the deteriorated high-voltage electrical substation that powers the lighting, ETC, noticeboards, etc. of metropolitan expressways. The project, which spanned approximately three years, was a success, with 11 individual constructions completed with no accidents.

The new eco-friendly electrical substations were installed at three sites during this project. Previously, the high-function compact-type electrical substation, which was built in limited space on the sides of highways or elevated structures, used SF6 gas, a gas with high global warming potential. The new eco-friendly electrical substation, on the other hand, achieves the same effect with dry air.

Going forward, the Group will work to conserve the global environment through its products, alongside aim to expand orders for power distribution equipment on highways.



Highway (sample image)



Eco-friendly electrical substation

Completion of work on the “smart electrical substation” at the Oyama Factory

On October 3, 2017, the repair work was completed on the extra high-voltage electrical substation at the Company’s Oyama Factory, which utilizes high-efficiency, eco-friendly machines with the Company’s latest technology.

We aim to reduce overall costs, including running costs, through upgrading the substation into a space- and construction time-efficient “smart electrical substation,” which incorporates visualization machinery that enables remote monitoring control and the collection of various maintenance data.

Going forward, in addition to the stable and efficient operation of the substation, we plan to use it as a PR venue for the Group’s products.

[The Group’s machinery used]

- Switchgear: 72kV VCB-type C-GIS (eco-friendly machinery)
- Main transformer: 66kV palm oil transformer (eco-friendly machinery)
- 66kV silicone oil transformer (anti-disaster machinery)
- Switchboard: Eco-smart switch board (compact machinery)
- Monitoring and control system: MUDIC+FEMS (visualization machinery)
- Sensors: Transformer section (coil temperature, gas analysis)



Smart electrical substation

Overview of Consolidated Financial Statements

Consolidated Balance Sheets (in Millions of yen)

Item	Previous Fiscal Year As of March 31, 2017	First Half FY As of September 30, 2017
[Assets]		
Current Assets	60,726	52,320
Non-current Assets	47,096	47,801
Property, plants and equipment	40,941	41,419
Intangible assets	3,229	3,115
Investments and other assets	2,924	3,266
Total Assets	107,822	100,121
[Liabilities]		
Current Liabilities	33,625	26,526
Long-term Liabilities	23,041	22,729
Total Liabilities	56,666	49,255
[Net Assets]		
Shareholders' Equity	47,431	46,697
Accumulated other comprehensive income	110	212
Non-controlling interests	3,614	3,957
Total Net Assets	51,155	50,866
Total Liabilities and Net Assets	107,822	100,121

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

Consolidated Statements of Income (in Millions of yen)

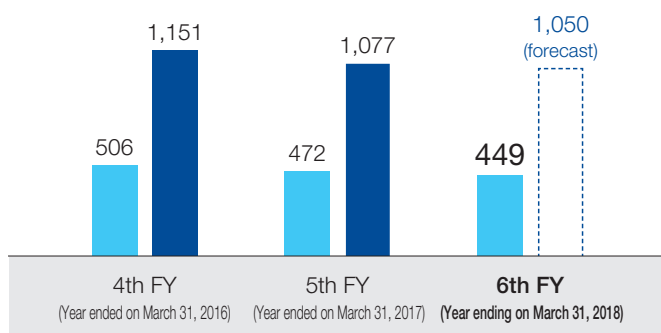
Item	Previous First Half FY From April 1, 2016 to September 30, 2016	Current First Half FY From April 1, 2017 to September 30, 2017
Net sales	47,208	44,901
Cost of sales	39,008	36,142
Gross profit	8,199	8,758
General and administrative expenses	7,502	8,160
Operating income	696	598
Non-operating income	280	160
Non-operating expenses	105	109
Ordinary income	871	648
Extraordinary income	6	0
Extraordinary loss	124	313
Income before income taxes	753	336
Income taxes	(40)	129
Net income	793	206
Profit attributed to non-controlling interests	285	354
Profit (loss) attributed to shareholders of the parent company	507	(148)

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

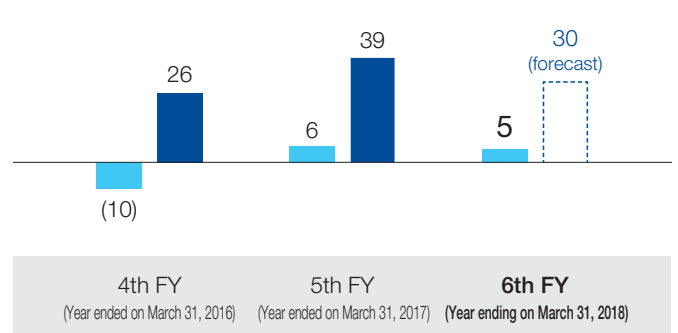
Consolidated Financial Highlights

■ First Half FY ■ Full FY

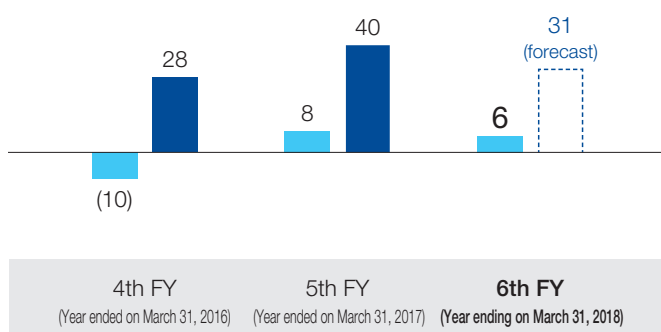
Net sales (in Hundred millions of yen)



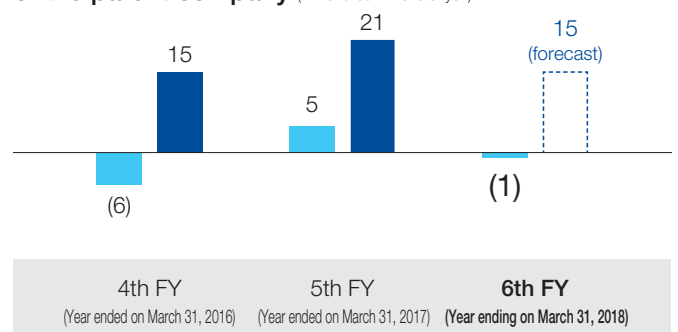
Operating income (in Hundred millions of yen)



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.
 TAKAOKA TOKO KOREA CO., LTD.
 Reliance Electric Limited
 RAS COMPANY, LIMITED
 MintWave Co., Ltd.
 UQUEST, LTD.

Directors and Corporate Auditors

President and Representative Director	Hiroaki Takatsu	Director	Yoshinori Kaneko
Director	Naoshi Nishikawa	Director	Harunobu Kameyama
Director	Shiro Odagiri	Standing Statutory Auditor	Yasuhiro Mishima
Director	Yoshiyuki Dofutsu	Standing Statutory Auditor	Yoshinori Kurosawa
Director	Futoshi Kuriyama	Auditor	Masaru Takeda
Director	Takenori Fujii	Auditor	Noriaki Taketani
Director	Kazuto Endo		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: 16,219,392
 (Excluding 56,913 treasury shares)
 Number of shareholders: 11,064

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)	608,100	3.74
FUJI ELECTRIC CO., LTD.	389,902	2.40
Japan Trustee Services Bank, Ltd. (Trust account)	333,200	2.05
Government of Norway	245,600	1.51
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	244,676	1.50
TAKAOKA TOKO Employees' Stock Holding Association	213,642	1.31
NETS LIFE INSURANCE COMPANY LIMITED	209,700	1.29
Japan Trustee Services Bank, Ltd. (Trust account 9)	203,400	1.25
Meiji Yasuda Life Insurance Company	200,000	1.23

Note: Shareholding ratios are calculated after deducting treasury stock (56,913 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.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:

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

■ Payment of unclaimed dividends:

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