



## TERASAKI REPORT

1 April 2018 - 31 March 2019

 **TERASAKI ELECTRIC CO., LTD.**

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TEL : +81-6-6791-2701

**TERASAKI ELECTRIC CO., LTD.**

Securities code 6637



### Marine Systems

Pursuing business challenges as a leading international manufacturer of electrical power distribution systems for marine applications



### Industrial Systems

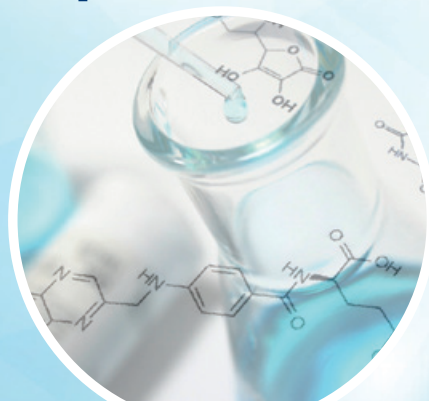
Demonstrating originality in industrial markets with our electrical power distribution systems



### Circuit Breakers

Reigning as the most trusted circuit breakers manufacturer in the world

## TERASAKI in constant pursuit of innovative electrical power distribution and control systems



### Medical Devices

Contributing to human health and security as a manufacturer of medical devices



### Engineering & Lifecycle Services

Offering solutions to worldwide customers through the engineering and lifecycle business

## President's Message

On the whole, the economic environment surrounding Terasaki Group has improved. In Japan, corporate earnings grew, and correspondingly capital investments have also increased strongly. In overseas, the U.S.'s and European economies were solid, but the U.K.'s economy remained weak. China's economy showed the tendency towards a slowdown. The shipbuilding industry, being one of our major markets, showed the trend of mild recovery, with increase in the numbers of orders for new vessels, but business still remained tough because ship prices did not recover sufficiently.

Against this backdrop, the Terasaki Group increased efforts to improve profits, through actions that include enhancing sales activities in the environmental protection-related market, developing new products, and reducing costs and expenses.

However, to our regret, the

overall sales volume decreased as compared to the same term last year. This was due to the reduced sales of equipment for container ships and projects involving overseas infrastructure investments in our industrial system products, and despite an increase in the sales of marine system products in China. Operating profit declined due to the low ship prices and increased expenses for the development of new products. Recurring profit had also declined despite some profits from an unexpected change in exchange rates. Profit attributable to owners of the company decreased, although there was a gain on sales of non-current assets.

In fiscal year 2019, we are expecting to have an increased in the number of orders from the environmental protection-related market. We will strengthen global cooperation under our "TEAM TERASAKI" banner and respond



President

### Taizo Terasaki

effectively to customers' needs in order to improve customers' satisfaction. Thereby, we are committed to making unceasing efforts to promote the businesses of our five divisions.

We sincerely ask for continued support from our shareholders and partners as we pursue these challenges.

June 2019

## Financial Highlights

### Net sales

**35,311** million JPY

Down 4.3% from the same term last year

### Operating profit

**1,342** million JPY

Down 39.9% from the same term last year

### Recurring profit

**1,923** million JPY

Down 15.0% from the same term last year

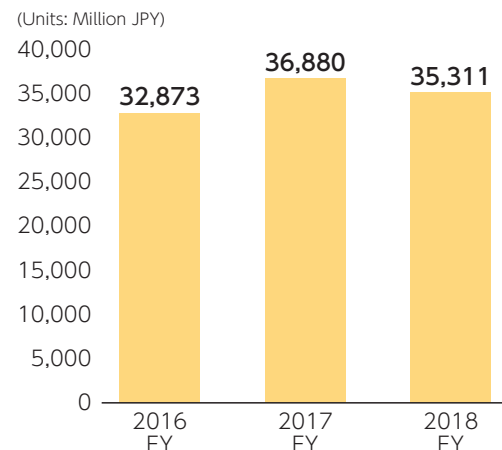
### Profit attributable to owners of the company

**1,307** million JPY

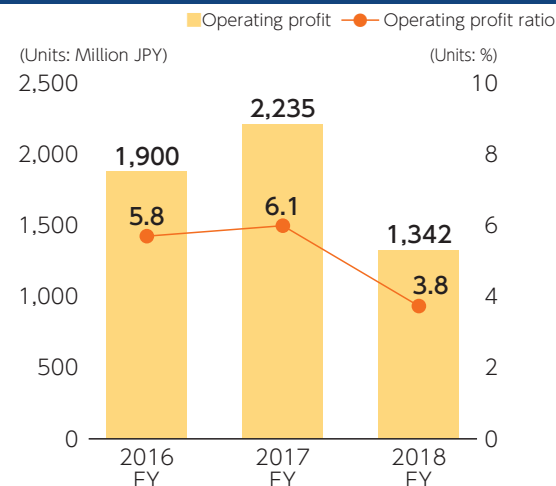
Down 9.3% from the same term last year

# Consolidated Financial Highlights

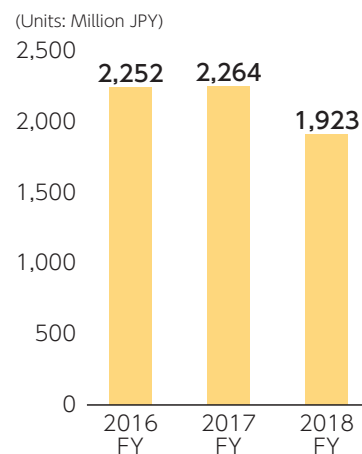
## Net sales



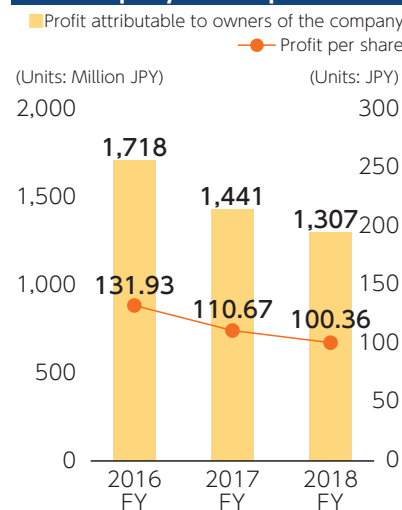
## Operating profit/Operating profit ratio



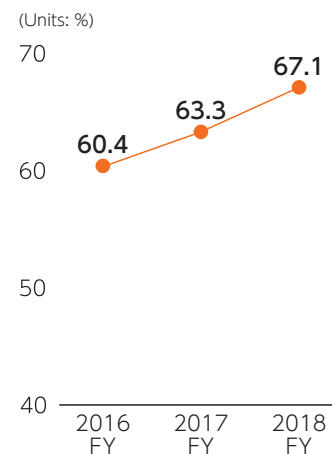
## Recurring profit



## Profit attributable to owners of the company / Profit per share



## Equity ratio



(Note) Monetary amounts are rounded off to one million JPY.

# Consolidated Financial Statements

## Consolidated Balance Sheets

(Units: Million JPY)

	2017FY (As of 31 March 2018)	2018FY (As of 31 March 2019)
<b>[Assets]</b>		
Current assets	32,938	32,570
Non-current assets	13,638	12,179
Property, plant and equipment	9,478	8,937
Intangible assets	185	165
Investments and other assets	3,975	3,076
<b>Total Assets</b>	<b>46,577</b>	<b>44,749</b>

(Units: Million JPY)

	2017FY (As of 31 March 2018)	2018FY (As of 31 March 2019)
<b>[Liabilities]</b>		
Current liabilities	13,593	12,546
Non-current liabilities	3,474	2,131
<b>Total Liabilities</b>	<b>17,068</b>	<b>14,678</b>
<b>[Equity]</b>		
Shareholders' equity	28,301	29,427
Capital stock	1,236	1,236
Capital surplus	2,244	2,244
Retained earnings	24,822	25,947
Treasury stock, at cost	△1	△1
Accumulated other comprehensive income	1,166	607
Non-controlling interests	40	37
<b>Total Equity</b>	<b>29,509</b>	<b>30,071</b>
<b>Total Liabilities and Equity</b>	<b>46,577</b>	<b>44,749</b>

## Consolidated Statements of Income

(Units: Million JPY)

	2017FY (From 1 April 2017 to 31 March 2018)	2018FY (From 1 April 2018 to 31 March 2019)
Net sales	36,880	35,311
Cost of sales	26,620	25,733
Gross profit	10,259	9,578
Selling, general and administrative expenses	8,024	8,235
Operating profit	2,235	1,342
Non-operating income	334	625
Non-operating expenses	305	44
Recurring profit	2,264	1,923
Extraordinary income	27	208
Extraordinary loss	9	0
Profit before income taxes	2,282	2,131
Income taxes - Current	709	512
Income taxes - Deferred	127	313
Profit for the period	1,445	1,305
Profit (loss) attributable to non-controlling interests	4	△1
<b>Profit attributable to owners of the company</b>	<b>1,441</b>	<b>1,307</b>

## Consolidated Statements of Cash Flows

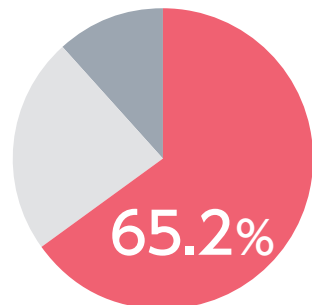
(Units: Million JPY)

	2017FY (From 1 April 2017 to 31 March 2018)	2018FY (From 1 April 2018 to 31 March 2019)
Cash flows from operating activities	2,512	1,112
Cash flows from investing activities	△865	△437
Cash flows from financing activities	△880	△1,018
Effect of exchange rate changes on cash and cash equivalents	247	△56
Net increase (decrease) in cash and cash equivalents	1,014	△400
Cash and cash equivalents at beginning of year	10,766	11,768
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	△12	—
<b>Cash and cash equivalents at end of year</b>	<b>11,768</b>	<b>11,368</b>

# Segment Performance by Region and Product

## Japan

Net sales percentage



Net sales **23,002 million JPY** (Down 13.1% from the same term last year) ↘

Segment profit **1,299 million JPY** (Down 39.8% from the same term last year) ↘

### Marine Systems

Sales of Terasaki Shore Connection increased, but sales of equipment for container ships and LNG ships declined.

### Industrial Systems

Sales for projects involving overseas infrastructure investment declined.

### Medical Devices

Medical tools and equipment:  
New products sales were strong.  
Clinical testing devices: Sales declined.

### Engineering & Lifecycle Services

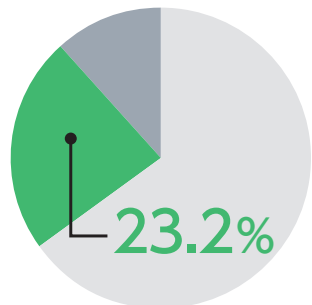
Sales of replacements and modification of equipment for ships and industry use were strong.

### Circuit Breakers

Japan: Sales for the marine market were weak.  
Overseas: Export sales to East Asia and Europe were strong, but those to Oceania were sluggish.

## Asia

Net sales percentage



Net sales **8,199 million JPY** (Up 25.3% from the same term last year) ↗

Segment profit **708 million JPY** (Up 5.7% from the same term last year) ↗

### Marine Systems

The shipbuilding industry showed signs of recovery, but not to the extent that ships price levels were moved up sufficiently. This means the sales of our Marine Systems are still not that great.

### Circuit Breakers

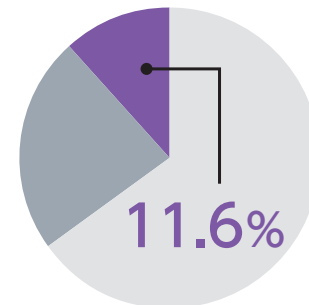
Sales for China's marine market were solid, but those for the Malaysian market were sluggish.

### Engineering & Lifecycle Services

Sales remained firm.

## Europe

Net sales percentage



Net sales **4,109 million JPY** (Up 6.4% from the same term last year) ↗

Segment profit **220 million JPY** (Down 12.8% from the same term last year) ↘

### Circuit Breakers

U.K.: Sales nearly leveled off even though there were still uncertainties surrounding the impending Brexit.

European and Middle Eastern countries: Sales remained firm.

### Engineering & Lifecycle Services

Sales declined.

## By Product Group

### System Products

Net sales  
**19,032 million JPY**  
(Down 8.4% from the same term last year) ↘

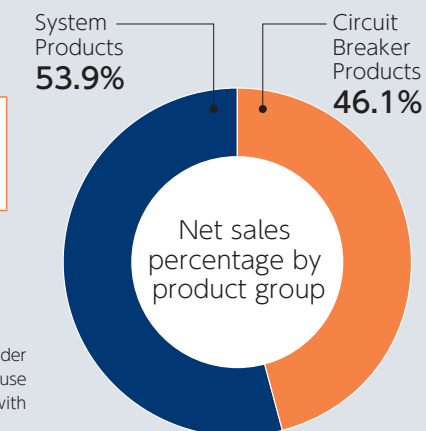
Orders received  
**19,982 million JPY**  
(Up 5.0% from the same term last year) ↗

Order backlog  
**17,139 million JPY**  
(Up 949 million JPY from the end of the last consolidated fiscal year) ↗

### Circuit Breaker Products

Net sales  
**16,278 million JPY**  
(Up 1.0% from the same term last year) ↗

(Note) We do not disclose orders received or order backlog for Circuit breaker products because they are manufactured in accordance with our planned production schedule.



# Registered first as a "platform provider"

Recently the Ministry of Land, Infrastructure, Transport and Tourism of Japan (MLIT) has been promoting the expansion of ship exports under the slogan "Export expansion and regional revitalization through i-Shipping, the maritime industry's production revolution". This project aims to capture 30 percent of the world's ship share by improving the international competitiveness of Japan's shipbuilding industry through the introduction of information and communication technology into all phases of shipbuilding, from ship development and construction to operation. In addition, this government project also offers support to shipyards and related companies for the research and development of IoT-based ships and marine equipment that make use of advanced technology, including IoT and big data.

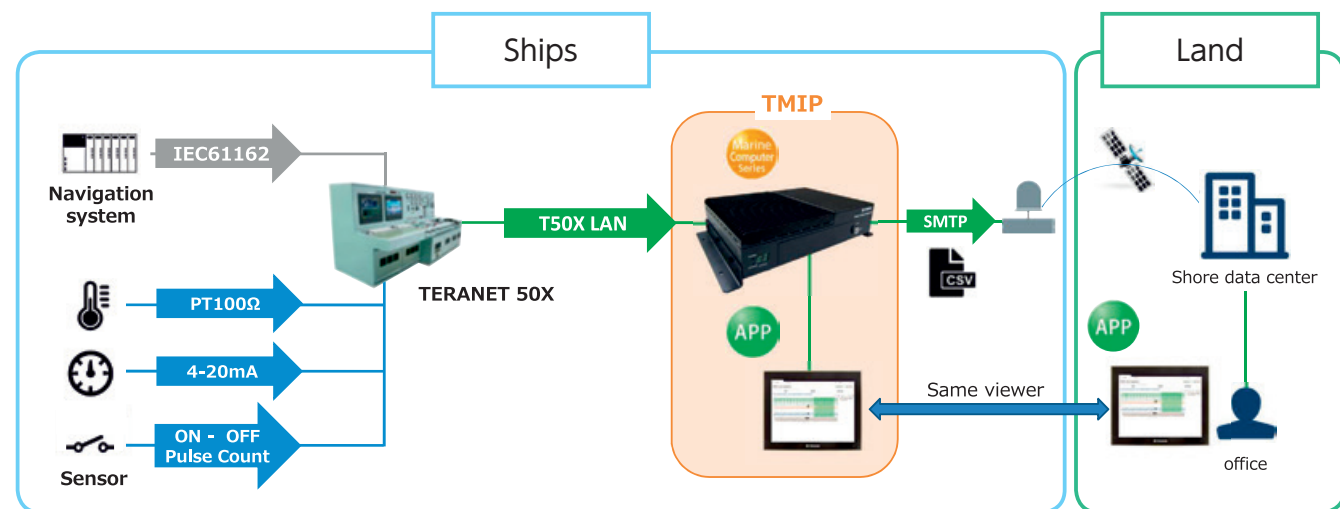
Ships hold and use a variety of data, such as information on vessel operations, weather and sea conditions, and the conditions of the hull and equipment (including the engines). So far, these data on each ship have been collected and used individually on board by systems and equipment that are not linked and do not share with each other. That is, up to now, a sufficient environment has not been established to collect and analyze these data as a group. Therefore, in December 2015 Ship Data Center Co., Ltd. was established by international classification society Class NK (Nippon Kaiji Kyokai) as a foundation for using ships' big data.

In April 2018, the Center launched Internet of Ships Open Platform (IoS-OP) and IoS-OP Consortium. IoS-OP is a universal platform that

collects and shares operational vessel data among stakeholders and provides many services, including the sale of data use rights to shipyards and manufacturers. IoS-OP Consortium is an organization that the business operators registered as members, including shipping agents, shipyard companies, ship machinery and equipment companies, and weather information providers are allowed to participate in.

On February 25, 2019, Terasaki Electric Co., Ltd. was first to be registered by the Center as a platform provider which supply and deliver on-board data collection equipment.

We are going to promote to the maritime industry for applications in large data for ships and do our best to contribute to the development of this industry for this generation and long into the future as well.



**TMIP (TERASAKI Marine Information Platform)**

TMIP collects data from various systems around the ship, stores them and also sends them to land-based stations.




**Integrated Control and Monitoring System TERANET50X**


TERANET50X is a ship-to-shore information sharing platform which enables ships and land-based offices to share data using a wide range of applications, through communication and storage features designed for utilizing Big Data and IoT. This system is approved for use by the classification society mentioned above. In addition, TERANET50X is put on energy-saving ships and contribute to global environmental protection by increasing the optimum operating efficiency of the plants.


## Corporate Profile

Company Name Terasaki Electric Co., Ltd.  
 Head Office 6-13-47 Kamihigashi, Hirano-ku, Osaka 547-0002 Japan  
 Foundation 1 October 1923  
 Established 1 April 1980  
 Capital 1,236 million JPY  
 Employees 1,811 (Consolidated)  
 558 (Non-consolidated)  
 Consolidated Subsidiaries Domestic: 5, Overseas: 8

 Terasaki has attained ISO9001 certification, the international standard for quality assurance.  
 <Locations>  
 • System Division - Head Office, Yao Factory, and Yao Factory Metal Work Section Kami Workshop, Tokyo Branch Office, Kyusyu Branch Office  
 • Circuit Breakers Division - Head Office, Kami Factory

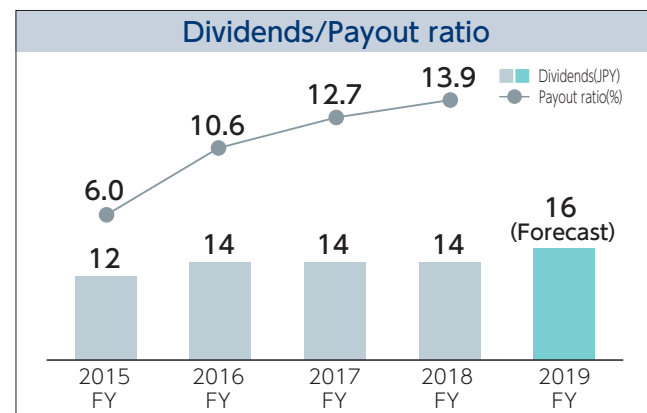
 The medical device related organization of Terasaki Electric Co., Ltd. System Division has attained ISO9001 certification and ISO13485 certification, the international standard of quality management system for medical devices, from TÜV Rheinland Japan.

 Terasaki has attained ISO14001 certification, the international standard for environment management systems.  
 <Locations>  
 Head Office, Yao Factory, Kami Factory  
 Imari Factory (TERASAKI ELECTRIC IMARI)  
 Yabakei Factory (YABAKEI SEISAKUSHO)

 Terasaki has attained OHSAS18001 certification, the standard for occupational health and safety management systems.  
 <Locations>  
 Head Office, Yao Factory, Kami Factory  
 Imari Factory (TERASAKI ELECTRIC IMARI)  
 Yabakei Factory (YABAKEI SEISAKUSHO)

## Board of Directors (As at 27 June 2019)

President Taizo Terasaki  
 Senior Managing Director Makoto Suto Accounting & Finance, Business Planning, R&D, Disclosure  
 Senior Managing Director Shunji Okada System Division  
 Managing Director Kazunobu Kumazawa General Affairs Department  
 Director Masao Nishida Marine Department System Division Engineering, Life Cycle  
 Director Yoshihiro Umemoto Circuit Breaker Division  
 Director Hirofumi Kobayashi Sales and Marketing Circuit Breaker Division  
 Director Junji Nagase Audit & Supervisory Committee Member  
 Director Kunio Chiyoda Audit & Supervisory Committee Member (External)  
 Director Shunji Takano Audit & Supervisory Committee Member (External)



## Shares

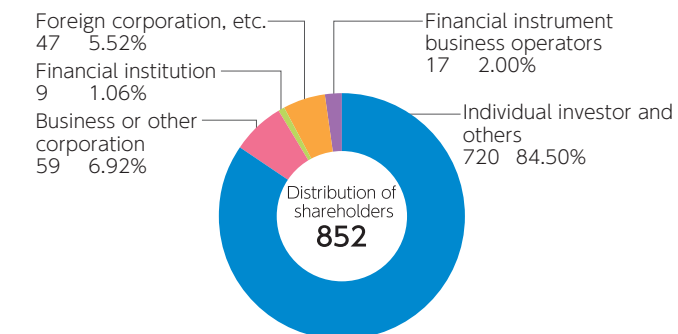
Total number of shares authorized to be issued ..... 52,000,000  
 Total number of issued shares ..... 13,030,000  
 Number of shareholders ..... 852

## Major Shareholders

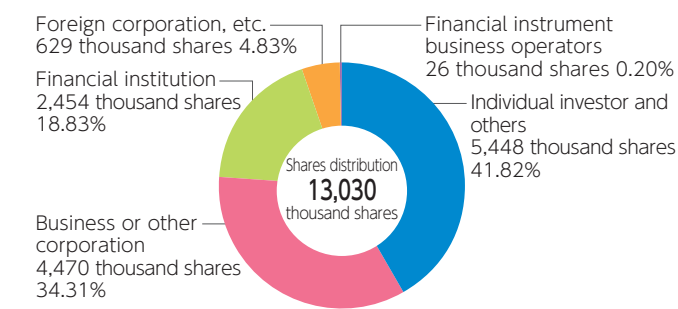
Shareholder	Shares owned (1,000 shares)	Share (%)
Terasaki Co., Ltd.	2,200	16.89
The Master Trust Bank of Japan, Ltd.	1,167	8.95
Taizo Terasaki	1,118	8.58
Terasaki Trust Co., Ltd	866	6.64
Kaori Aramaki	738	5.66
Terasaki Employee Stock Ownership	687	5.27
Yuzo Terasaki	677	5.19
Hozansha Co., Ltd.	653	5.01
Terasaki Kyoieikai	486	3.73
Arc Ltd.	400	3.07

(Note) Share percentages are calculated without treasury stock (1,021 shares).

## Distribution by Shareholders



\* Treasury stock is included in individual investor and others.



\* Treasury stock (1,021 shares) is included in individual investor and others.

## Stock Price/Traded Volume (Tokyo Stock Exchange)

