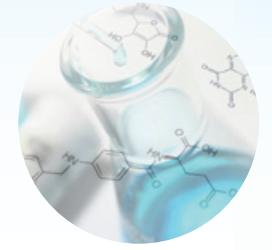
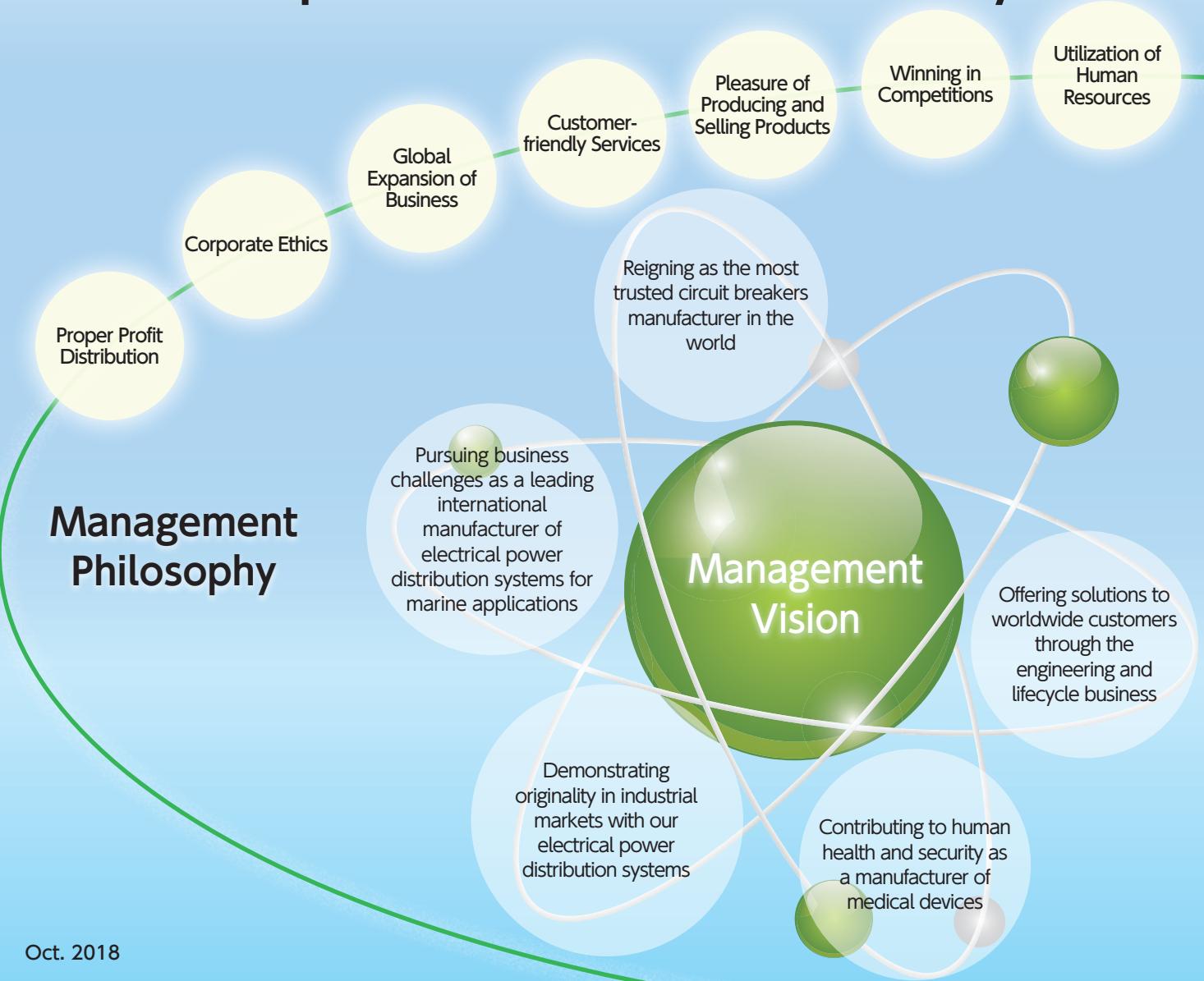


# TERASAKI in constant pursuit of innovative electrical power distribution and control systems



## TERASAKI REPORT

1 April 2017 - 31 March 2018



## Growth by further promoting business as “TEAM TERASAKI”



President **Taizo Terasaki**

### ■ The Economic Environment surrounding Terasaki Group

The global economy in our 2017 fiscal year ended 31 March 2018 overall continued on a gradual recovery track spearheaded by the world's industrially advanced nations, while the Japanese economy similarly on the whole maintained its slow pace recovery, as personal spending rebounded slightly due to the continuing up-trend in production activities, steady hiring and rising wages in the private sector.

As for the shipbuilding market, according to the World Shipbuilding Statistics, vessels completion worldwide from January through December 2017 fell slightly as compared to the same period of the previous year to about 65 million gross tonnage (down 1.6% year-on-year), while new orders on the other hand rose greatly to about 42 million gross tonnage (up 126.9% year-on-year) and order book has decreased for the period till December 2017 to about 143 million gross tonnage (down 5.5% against 31 December 2016).

In the shipbuilding industry where we have many customers, signs of an up-turn in new orders are beginning to show, as the marine shipping market is gradually picking up alongside with the increase in trading volume around the world. Moreover, ship prices appeared to have hit the bottom, which is stirring hopes of a rebound in the new shipbuilding market. However, forecasts indicated that more time is required before any sort of real recovery can take place due to the low prices of ordered ships, exchange rates and rising material costs. Given the economic environment around us, we will conduct our business activities to increase our contribution on a per-ship basis and translate that into securing

future sales and profits.

Regarding equipment and infrastructure investments, the current on-going market recovery is predicted to be maintaining at its gradual pace owing to the improving corporate earnings in Japan, while additional investments are anticipated in construction sector that is related to the 2020 Tokyo Olympics and urban redevelopment. Overseas, capital investment is expected to stay as a result of the global economic recovery trend. The situation is ripe for us to expand our business in Industrial Systems, Circuit Breakers, and Engineering & Lifecycle Services, by accurately identifying and swiftly serving customers' needs with proactive

sales activities. Moreover, in the Medical Devices field, we will continue to push for increasing orders by developing new products and gaining new customers.

Moving forward, we will keep the economic situation and market conditions under close watch as we steadfast in implementing our business strategy. In the process, we will take steps to strengthen our corporate governance, make our business practices more transparent, enhance the mobility of our operations, and reinforce our BCP (Business Continuity Plan) so that we can sustainably grow as a business.

### ■ Promoting Business as “TEAM TERASAKI”

Our Head Office was re-located a year ago, and last November, Teratec Ltd, a group company was relocated nearby. The close proximity of the offices allow us to work more efficiently and closely together as "TEAM TERASAKI" and further improve customers' satisfaction.



Teratec Ltd. (Head Office)

## Financial Highlights

Net sales	<b>36,880 million JPY</b> (Up 12.2% from the same term last year)	➔
Operating profit	<b>2,235 million JPY</b> (Up 17.6% from the same term last year)	➔
Recurring profit	<b>2,264 million JPY</b> (Up 0.5% from the same term last year)	➔
Profit attributable to owners of the company	<b>1,441 million JPY</b> (Down 16.1% from the same term last year)	➔

The economic environment surrounding our Group in the fiscal year ended 31 March 2018 can be summarized as follows.

In Japan, business investments in equipment and infrastructure continued with slow-paced recovery owing to improving corporate earnings and other factors.

For overseas business as well, economic rallies and other factors kept the current recovery going. In the shipbuilding industry where we have many customers, initial signs of an up-turn in new orders were seen and ship prices appeared to have hit the bottom, but the conditions did not improve to the point of calling it a recovery and the situation remained challenging.

As for our consolidated financial performance under these circumstances, overall sales has increased, despite a drop in sales of Marine Systems in the Asian region, there was an increase in sales of Circuit Breakers, coupled by the strong sales for projects in container and LNG ships both in Japan and abroad and railways overseas. On the earnings front, both operating profit and recurring profit rose from the increased sales we have posted, but profit attributable to owners of the company has dropped.

## ● By Product Group

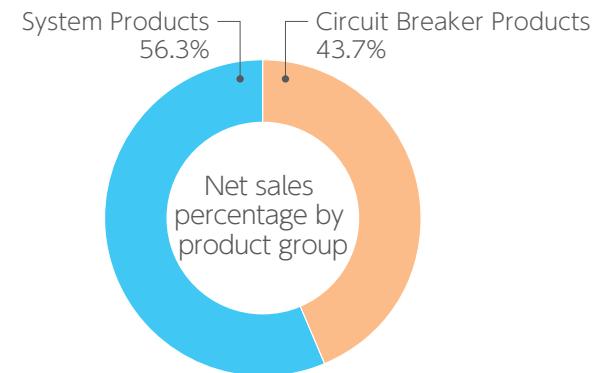
### System Products

Net sales <b>20,767 million JPY</b> (Up 11.0% from the same term last year) →	Orders received <b>19,030 million JPY</b> (Up 10.4% from the same term last year) →	Order backlog <b>16,190 million JPY</b> (Down 1,737 million JPY from the end of the last consolidated fiscal year) →
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### Circuit Breaker Products

Net sales <b>16,112 million JPY</b> (Up 13.7% from the same term last year) →
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(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.



## ● Segment Performance by Region

### Japan

Net sales	<b>26,471 million JPY</b> (Up 18.1% from the same term last year) →
Segment profit	<b>2,159 million JPY</b> (Up 30.4% from the same term last year) →

Sales of Marine Systems has increased as compared to the same term last year owing to strong sales for projects in container and LNG ships in Japan and abroad.

Sales of Industrial Systems has increased despite a decrease in sales of co-generation systems and other distributed power systems, owing to strong sales for overseas railway projects.

Sales of Medical Devices has increased, although sales volume of medical tools and equipment remained unchanged, owing to strong showing by clinical testing devices.

Sales in Engineering & Lifecycle Services has increased as compared to the same term last year, as engineering work for railway infrastructure in Japan added to the strong sales of maintenance and replacement parts, circuit breaker upgrade work, etc.

As a result, the sales of System products as a whole has increased as compared to the

same term last year.

Sales of Circuit Breakers in Japan has increased as the market was gradually picking up. Overseas sales has increased as compared to the same term last year as a whole, despite the continuing challenges in the marine markets of East Asia, primarily because of a strong showing in Oceania.

### Asia

Net sales	<b>6,545 million JPY</b> (Down 11.5% from the same term last year) →
Segment profit	<b>670 million JPY</b> (Down 30.7% from the same term last year) →

Sales of Marine Systems has decreased as compared to the same term last year due to lesser projects, pushed-back deliveries and other factors triggered by the slump in the marine equipment market.

Sales of Circuit Breakers has increased as compared to the same term last year, thanks to the better showing in Malaysia and other regions.

### Europe

Net sales	<b>3,863 million JPY</b> (Up 26.4% from the same term last year) →
Segment profit	<b>253 million JPY</b> (Up 98.0% from the same term last year) →

Sales has increased as compared to the same term last year although there was a slight decrease in Circuit Breakers sales as recorded in the UK. The strong demand from Europe and Middle East markets added to the steady and improved sales performance in Engineering & Lifecycle Services.

### Net sales percentage by region

Japan  
71.8%

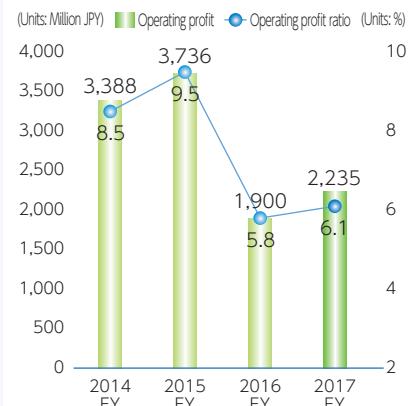
Asia  
17.7%

Europe  
10.5%

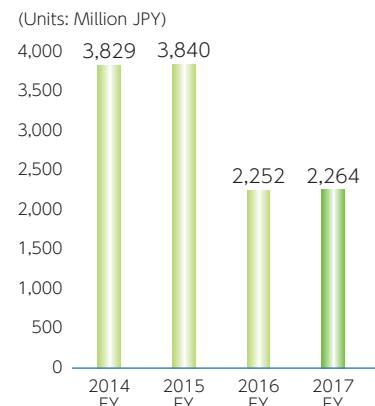
Net sales



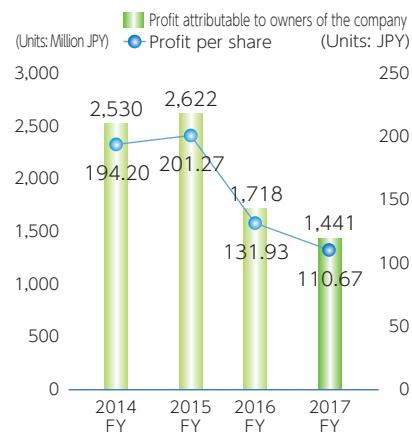
Operating profit/Operating profit ratio



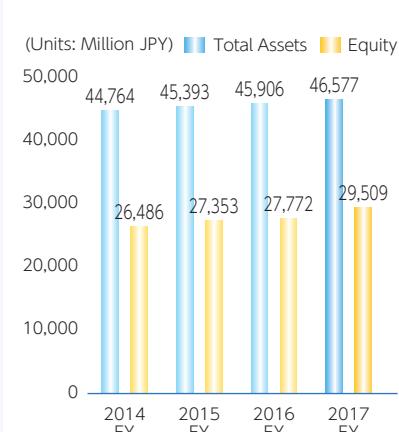
Recurring profit



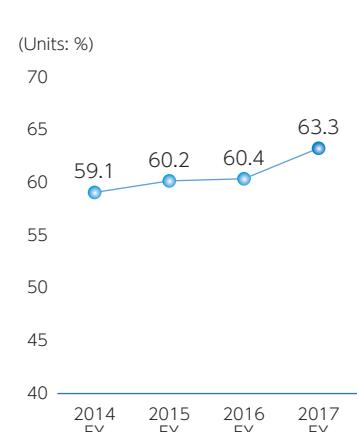
Profit attributable to owners of the company / Profit per share



Total Assets/Equity



Equity ratio



Consolidated Balance Sheets (Units: Million JPY)

	2017FY (As of 31 March 2018)	2016FY (As of 31 March 2017)
<b>Assets</b>		
Current assets	33,375	32,531
Non-current assets	13,202	13,374
Property, plant and equipment	9,478	9,739
Intangible assets	185	214
Investments and other assets	3,538	3,420
<b>Total Assets</b>	<b>46,577</b>	<b>45,906</b>
<b>Liabilities</b>		
Current liabilities	13,595	12,819
Non-current liabilities	3,472	5,313
<b>Total Liabilities</b>	<b>17,068</b>	<b>18,133</b>
<b>Equity</b>		
Shareholders' equity	28,301	27,199
Capital stock	1,236	1,236
Capital surplus	2,244	2,244
Retained earnings	24,822	23,719
Treasury stock, at cost	△1	△1
Accumulated other comprehensive income	1,166	534
<b>Non-controlling interests</b>	<b>40</b>	<b>38</b>
<b>Total Equity</b>	<b>29,509</b>	<b>27,772</b>
<b>Total Liabilities and Equity</b>	<b>46,577</b>	<b>45,906</b>

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

Consolidated Statements of Income (Units: Million JPY)

	2017FY (From 1 April 2017 to 31 March 2018)	2016FY (From 1 April 2016 to 31 March 2017)
Net sales	36,880	32,873
Cost of sales	26,620	22,971
Gross profit	10,259	9,902
Selling, general and administrative expenses	8,024	8,002
Operating profit	2,235	1,900
Non-operating income	334	582
Non-operating expenses	305	230
Recurring profit	2,264	2,252
Extraordinary income	27	410
Extraordinary loss	9	61
Profit before income taxes	2,282	2,601
Income taxes - Current	709	639
Income taxes - Deferred	127	244
Profit for the period	1,445	1,718
Profit attributable to non-controlling interests	4	△0
Profit attributable to owners of the company	1,441	1,718

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

Consolidated Statements of Cash Flows (Units: Million JPY)

	2017FY (From 1 April 2017 to 31 March 2018)	2016FY (From 1 April 2016 to 31 March 2017)
Cash flows from operating activities	2,512	2,486
Cash flows from investing activities	△865	△1,770
Cash flows from financing activities	△880	△213
Effect of exchange rate changes on cash and cash equivalents	247	△429
Net increase (decrease) in cash and cash equivalents	1,014	72
Cash and cash equivalents at beginning of year	10,766	10,694
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	△12	—
Cash and cash equivalents at end of year	11,768	10,766

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

Balance Sheets

(Units: Million JPY)

	2017FY (As of 31 March 2018)	2016FY (As of 31 March 2017)
<b>Assets</b>		
Current assets	16,620	16,960
Non-current assets	10,618	11,050
Property, plant and equipment	6,638	6,961
Intangible assets	107	118
Investments and other assets	3,872	3,970
<b>Total Assets</b>	<b>27,238</b>	<b>28,011</b>
<b>Liabilities</b>		
Current liabilities	9,862	9,079
Non-current liabilities	4,328	6,367
<b>Total Liabilities</b>	<b>14,190</b>	<b>15,447</b>
<b>Equity</b>		
Shareholders' equity	12,856	12,381
Valuation and translation adjustments	191	182
<b>Total Equity</b>	<b>13,048</b>	<b>12,564</b>
<b>Total Liabilities and Equity</b>	<b>27,238</b>	<b>28,011</b>

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

Statements of Income

(Units: Million JPY)

	2017FY (From 1 April 2017 to 31 March 2018)	2016FY (From 1 April 2016 to 31 March 2017)
Net sales	26,369	22,288
Cost of sales	21,466	17,754
Gross profit	4,902	4,533
Selling, general and administrative expenses	4,875	4,743
Operating loss	26	△210
Non-operating income	943	791
Non-operating expenses	208	216
Recurring profit	761	364
Extraordinary income	27	407
Extraordinary loss	7	59
Profit before income taxes	781	712
Income taxes - Current	9	45
Income taxes - Deferred	114	148
<b>Profit for the period</b>	<b>657</b>	<b>519</b>

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

Corporate Profile (As of 31 March 2018)

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 1,776 (Consolidated), 570 (Non-consolidated)  
 Consolidated Subsidiaries Domestic: 5, Overseas: 8  
 Line of Business ● Marine Systems  
 Power Distribution and Control Systems, Group Starter Panels  
 Engine Monitoring and Control Systems  
 Medium Voltage Switchgears  
 Terasaki Shore Connection Systems  
 Seafarer Training Equipment  
 ● Industrial Systems  
 Power Distribution Systems, Co-generation Systems  
 Electric Equipment and Systems, Medium Voltage Switchgears  
 ● Circuit Breakers  
 Moulded Case Circuit Breakers, Earth Leakage Circuit Breakers, Air Circuit Breakers  
 Multi Cable Transits  
 ● Medical Devices  
 Medical tools and equipment, Clinical testing devices  
 ● Engineering & Lifecycle Services  
 Maintenance and Servicing of Terasaki Group Products  
 Engineering Services, i.e., equipment design, construction, etc  
 Ship Operators Training

Board of Directors (As of 28 June 2018)

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

Shares (As of 31 March 2018)

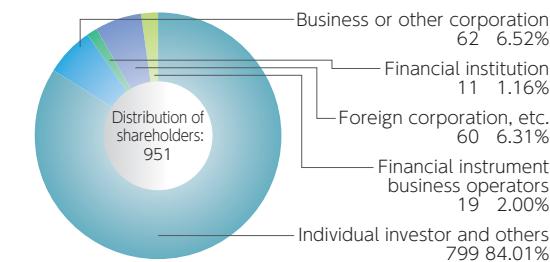
Total number of shares authorized to be issued ..... 52,000,000  
 Total number of issued shares ..... 13,030,000  
 Number of shareholders ..... 951

Major Shareholders

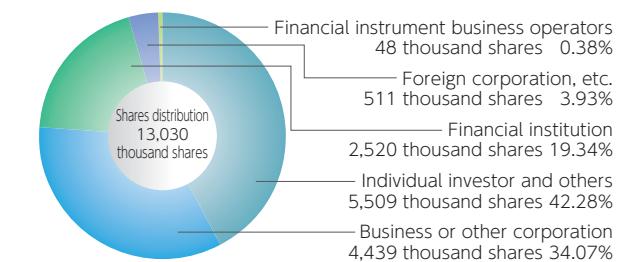
Shareholder	Shares owned (1,000 shares)	Share (%)
Terasaki Co., Ltd.	2,200	16.89
Taizo Terasaki	1,118	8.58
The Master Trust Bank of Japan, Ltd.	1,049	8.05
Terasaki Trust Co.,Ltd	866	6.64
Kaori Aramaki	738	5.66
Terasaki Employee Stock Ownership	683	5.24
Yuzo Terasaki	677	5.19
Hozansha Co., Ltd.	653	5.01
Terasaki Kyoeikai	520	3.99
Japan Trustee Services Bank, Ltd.	424	3.25

(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)

