
Financial Results Briefing for the Fiscal Year Ended May 31, 2023

July 14, 2023

Toyo Denki Seizo K.K.

- Briefing on Financial Results: 40 minutes
 1. Overview of Financial Results for the Fiscal Year Ended May 31, 2023
 2. Financial Results Forecast for the Fiscal Year Ending May 31, 2024
 3. Medium-Term Management Plan

- Q&A: 20 minutes

1. Overview of Financial Results for the Fiscal Year Ended May 31, 2023 (From June 1, 2022 to May 31, 2023)

1-1. Overview of Consolidated Financial Results

Orders received increased significantly and the business is on a recovery trend. Both net sales and profit increased from a year earlier thanks to efforts to improve profitability despite ongoing difficulties in procuring parts and materials

100 million yen

	FYE May 2022	FYE May 2023	YoY Change		FYE May 2023 Forecast	Change vs. Forecast	
				%			%
Orders received	304.4	332.4	+27.9	+9.2%	346.0	-13.5	96.0%
Net sales	301.5	310.2	+8.6	+2.9%	340.0	-29.7	91.3%
Operating profit (%)	1.7 (0.6%)	5.1 (1.7%)	+3.4 (+1.1pt)	+201.1% -	4.5 (1.3%)	+0.6 (+0.4pt)	115.0% -
Ordinary profit	7.6	9.8	+2.2	+28.8%	7.0	+2.8	141.0%
Profit	-9.3	8.2	+17.5	-	8.0	+0.2	103.1%
[Net income per share (yen)]	-104.02	91.85	+195.87	-	89.48	+2.37	-
ROE	-4.0%	3.5%	+7.5pt	-			
Ratio of overseas sales to net sales	14.5%	19.7%	+5.2pt	-			

<Reference> Review of the Business Environment for the Fiscal Year Ended May 31, 2023

Transportation Business

- Demand for new rolling stock production and equipment upgrades, which had been suppressed, is increasing as restrictions on activities due to COVID-19 are eased and the business performance of domestic railway operators has been recovering.
- Overseas, economies are gradually recovering in many countries, and in China, orders for maintenance parts and new projects also increased.

Industry Business

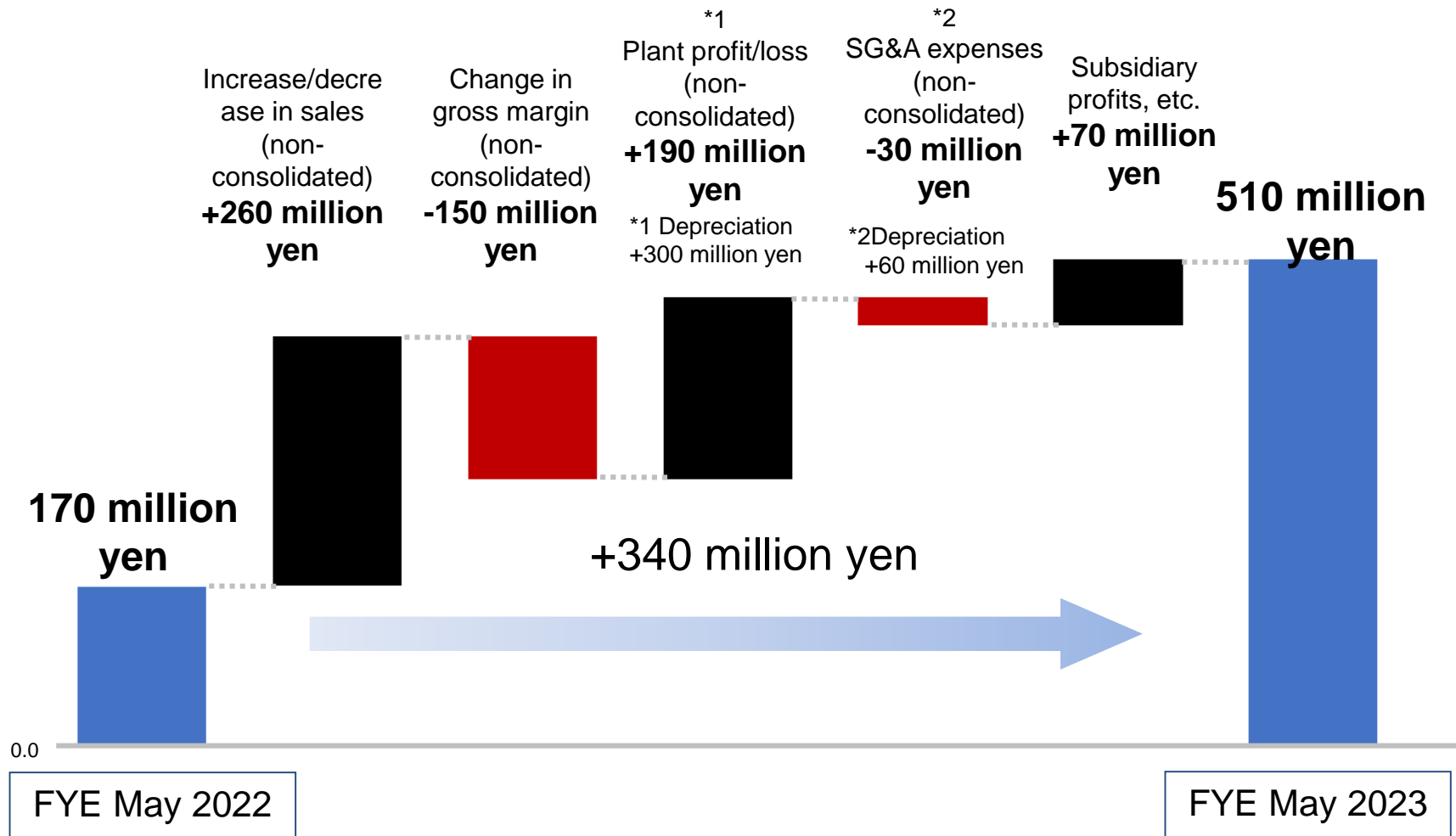
- There is strong activity related to capital investment in many industries, and inquiries to Toyo Denki Seizo K.K. (the “Company”) are increasing. On the other hand, as a result of the rapid shift toward electrification, some companies have been reconsidering capital investment in testing machines for automobile development.
- Prolonged difficulties in procuring parts and materials continue to impact the Company’s production processes.

ICT Solution Business

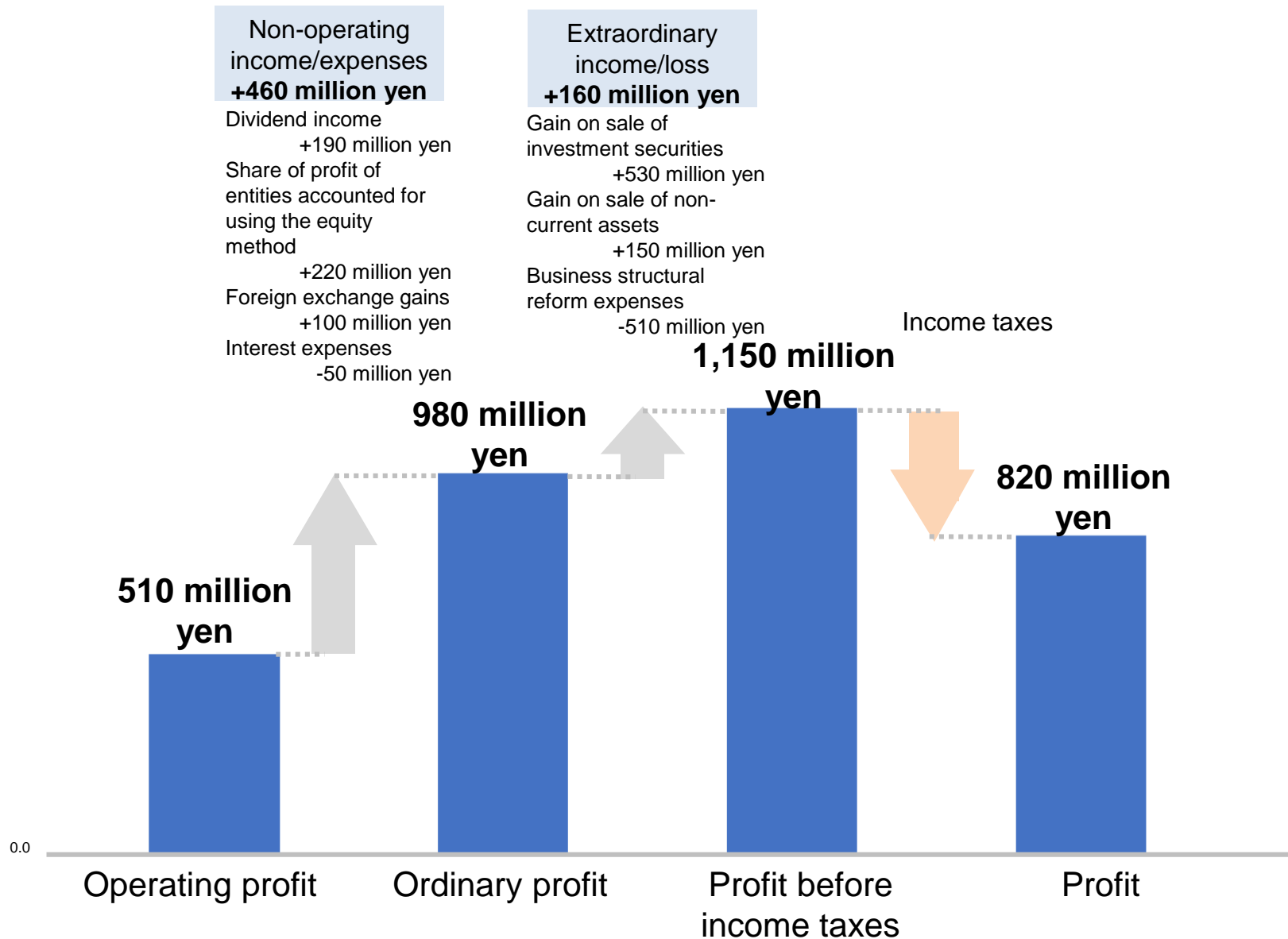
- Software improvements for station equipment increased as a result of the opening of new lines and fare/tariff revisions including barrier-free fares.
- Railway operators continue their initiatives to improve passenger convenience, handle inbound traffic, and improve operational efficiency.

1-2. Factors for Increase and Decrease in Operating Profit (YoY change)

Operating profit recovered due to such factors as an increase in net sales, improved profitability and reduced depreciation burden from the impairment of non-current assets in the Industry Business in the previous fiscal year



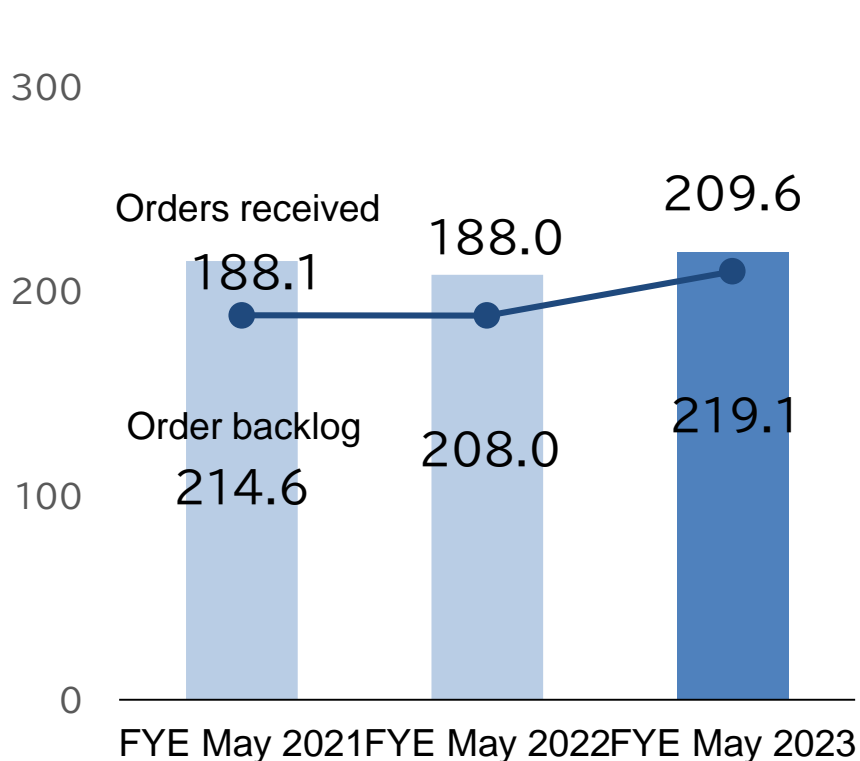
1-3. Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Loss



1-4. Segment Performance: Transportation Business

As the business performance of domestic railway operators has been recovering, orders increased significantly. Net sales and segment profit increased from a year earlier

■ Orders received and order backlog

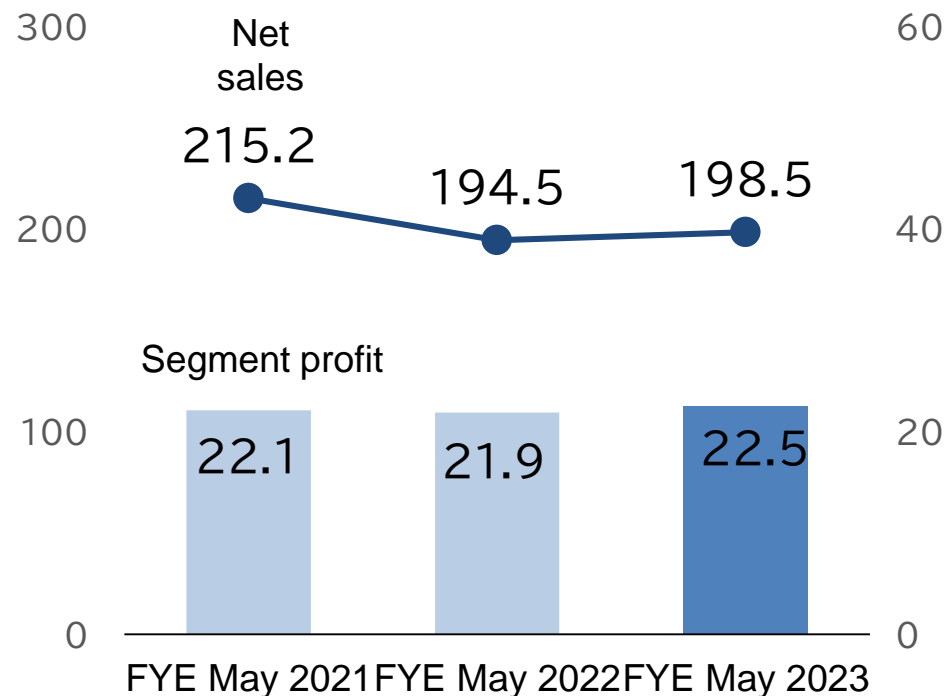


■ Net sales and segment income

(100 million yen)

Net sales

Segment profit

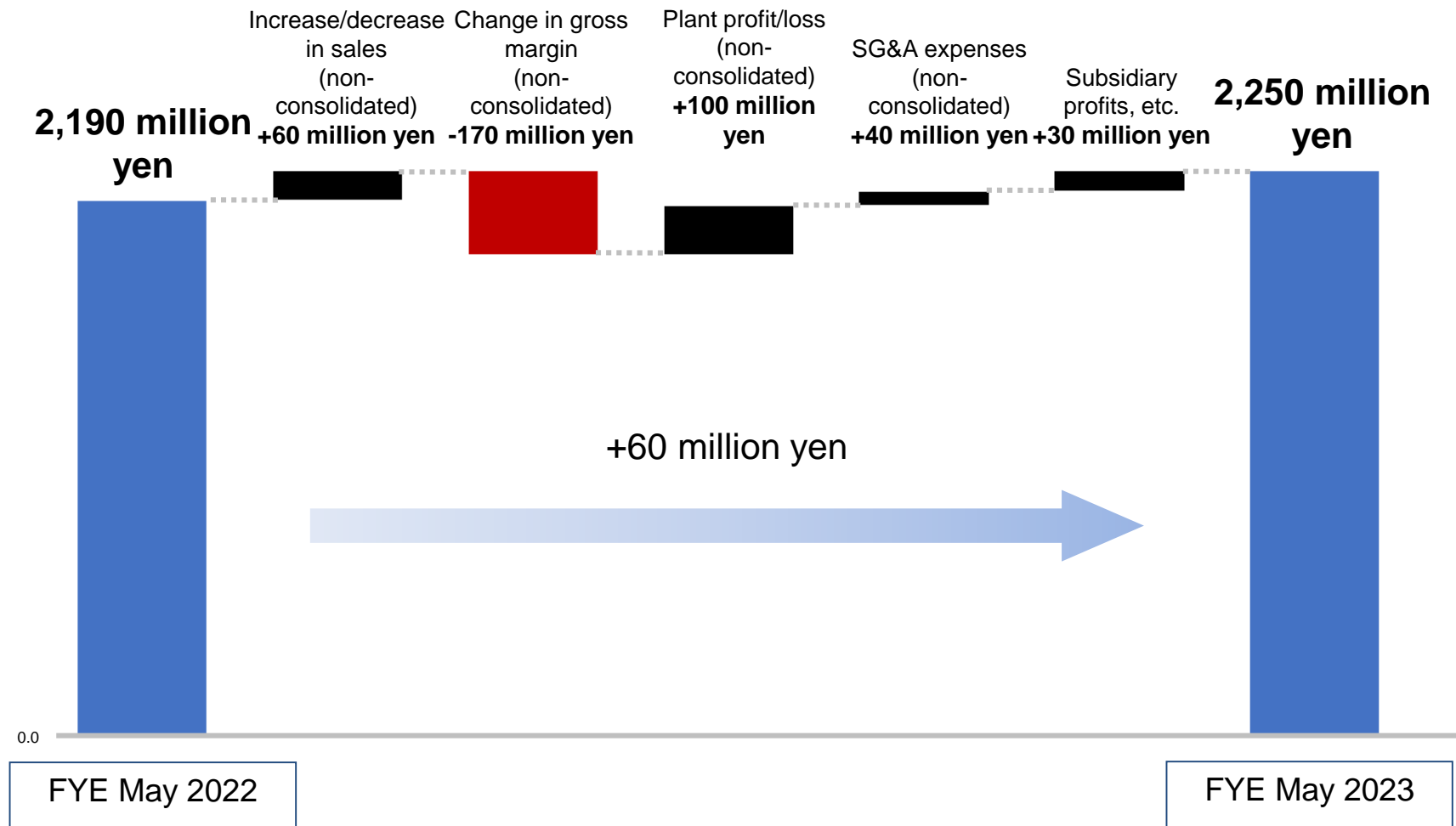


- Orders received from JR companies, private railway companies and China increased
- Net sales increased thanks to an increase in sales to China, despite lower sales to private railway companies due to a reactionary fall
- Segment profit increased due to improved profitability

1-5. Transportation Business: Factors for Increase and Decrease in Segment Income

Transportation

Profit increased due to efforts to improve profitability, including cost reductions

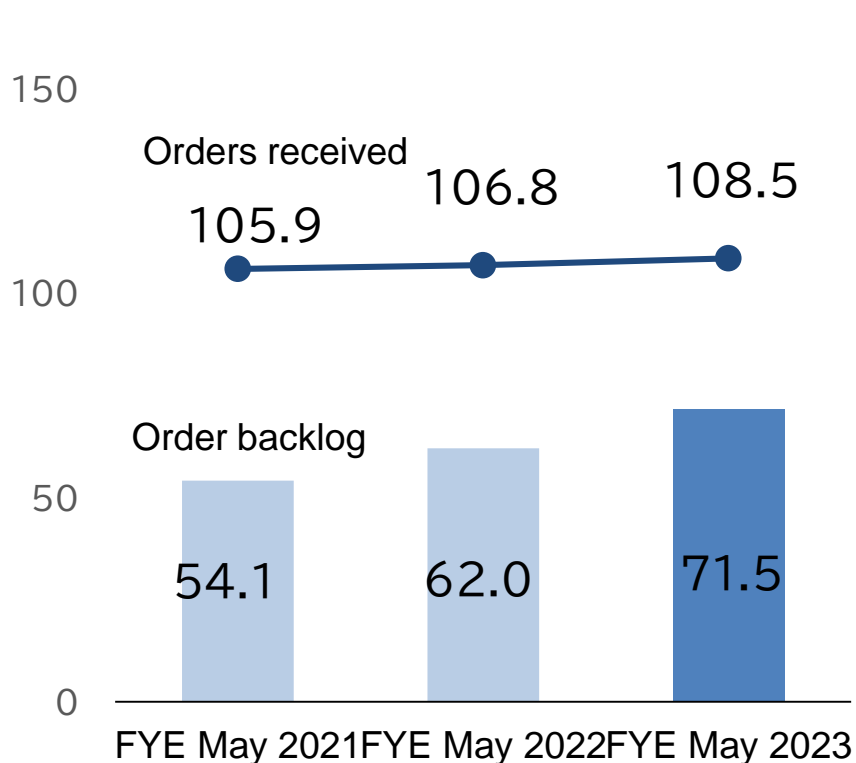


1-6. Segment Performance: Industry Business

Industry

Orders received increased. Both net sales and segment profit remained at the same level as the previous year as prolonged difficulties in procuring parts and materials continued to impact the production processes

■ Orders received and order backlog

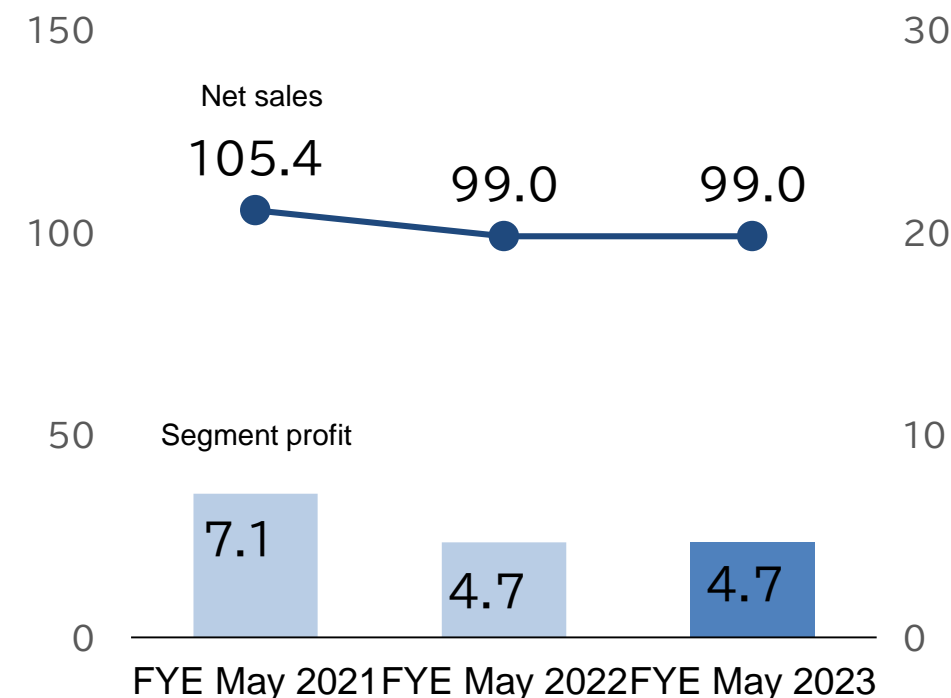


■ Net sales and segment income

(100 million yen)

Net sales

Segment profit

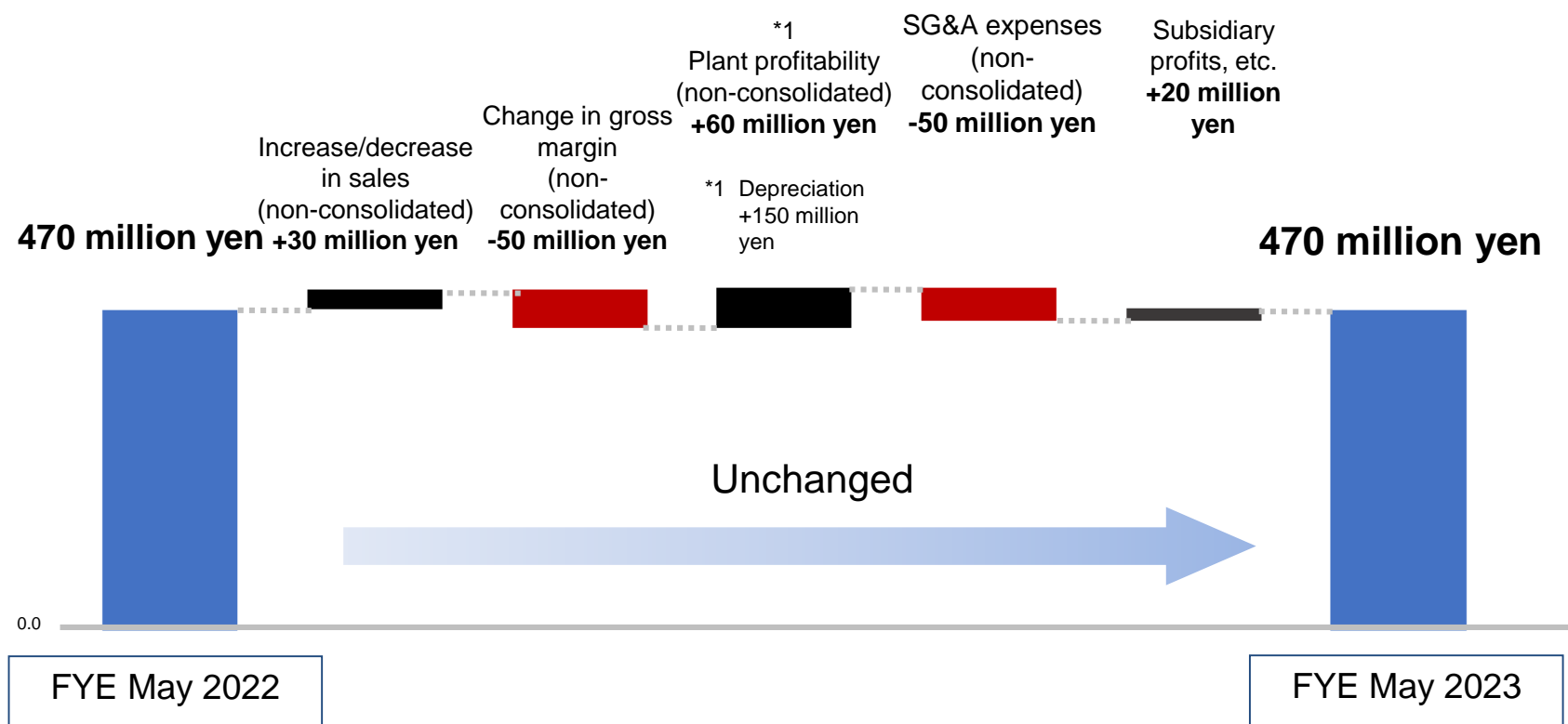


- Orders for processing equipment also increased thanks to an order for large-scale testing equipment
- Net sales were unchanged from the previous fiscal year as sales for testing equipment and processing equipment increased but those for power supplies dropped
- Segment profit also remained at the same level as the previous fiscal year

1-7. Industry Business: Factors for Increase and Decrease in Segment Income

Industry

Segment profit was unchanged from the previous fiscal year as the burden of depreciation reduced as a result of the impairment of non-current assets recorded in the previous fiscal year but gross profit margin worsened



1-8. Segment Performance: ICT Solution Business

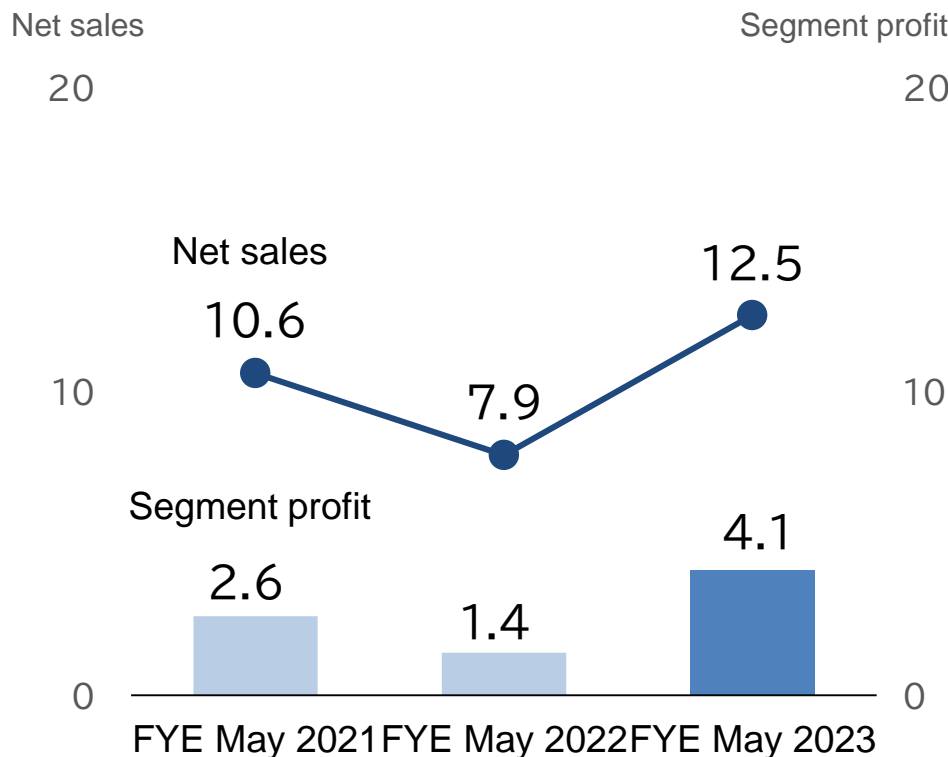
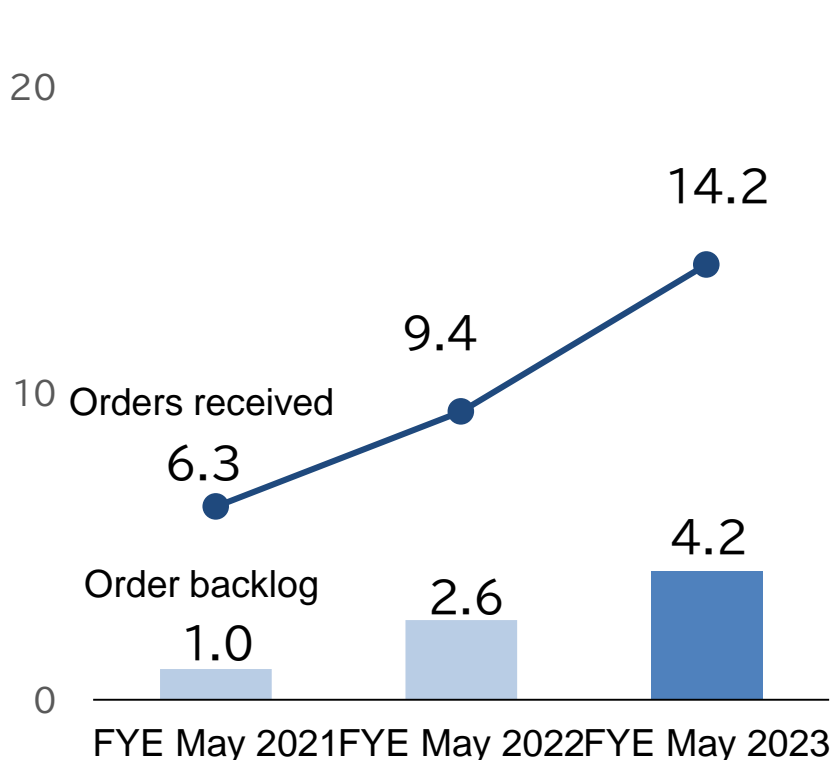
ICT

Orders received along with net sales and profit grew due to an increase in software improvements for station equipment.

■ Orders received and order backlog

■ Net sales and segment income

(100 million yen)



- Orders received increased due to software improvements as a result of the opening of new lines and fare/tariff revisions including barrier-free fares
- Net sales increased for the same reasons why orders received increased
- Segment profit also grew thanks to an increase in sales

1-9. Consolidated Financial Position

(100 million yen)	May 31, 2022	May 31, 2023	Change	Remarks
Total assets	469.1	496.8	+27.6	
Current assets	241.8	267.3	+25.4	Trade receivables: +11.4 billion yen Cash and deposits: +10.7 billion yen
Non-current assets	227.2	229.4	+2.1	
Total liabilities	249.0	250.9	+1.9	
Of which, net interest-bearing debt	73.0	56.5	-16.5	
Net assets	220.1	245.8	+25.7	Valuation difference on available-for-sale securities: +14.5 billion yen
Equity-to-asset ratio	46.9%	49.5%	+2.6pt	

1-10. Trends in Consolidated Cash Flows

(100 million yen)

	FYE May 2019	FYE May 2020	FYE May 2021	FYE May 2022	FYE May 2023
Cash flows from operating activities	37.2	21.4	17.7	25.0	8.1
Cash flows from investing activities	-10.1	0.4	-1.5	2.8	6.3
Purchases of property, plant and equipment	-22.7	-6.4	-5.4	-3.5	-3.2
Cash flows from financing activities	-20.1	-11.2	-9.7	-23.5	-3.9
Free cash flow	27.0	21.8	16.2	27.9	14.5
Cash at the end of the period	22.4	32.9	39.6	44.4	55.2
Interest-bearing debt	154.2	145.5	138.4	117.5	111.7
Net interest-bearing debt	131.8	112.5	98.8	73.0	56.5

◆ Cash flows from operating activities

Cash flows provided by operating activities of 810 million yen due to an increase in trade payable

◆ Cash flows from investing activities

Cash flows provided by investing activities of 630 million yen due to proceeds from sales of investment securities

◆ Free cash flow

Free cash flow has remained positive in recent years

◆ Net interest-bearing debt

Net interest-bearing debt decreased to 5,600 million yen (down 1,600 million yen year-on-year)

2. Financial Results Forecast for the Fiscal Year Ending May 31, 2024

2-1. Outlook for Financial Results for Fiscal Year Ending May 31, 2024 (Consolidated)

Orders received of 37.2 billion yen, net sales of 34.5 billion yen, and operating profit of 600 million yen

(100 million yen)	FYE May 2023 (Results)		FYE May 2024 (Forecast)		YoY Change
	2Q	Full year	2Q	Full year	Full year
Orders received	170.7	332.4	173.0	372.0	+39.5
Net sales	138.2	310.2	159.0	345.0	+34.7
Operating profit (%)	-0.8 (-%)	5.1 (1.7%)	-1.2 (-%)	6.0 (1.7%)	+0.8 (+0.0pt)
Ordinary profit	1.9	9.8	0.5	9.5	-0.3
Profit	0.2	8.2	1.8	8.0	-0.2
[Net income per share (yen)]	2.98	91.85	19.08	84.81	-7.04
Dividend per share (yen)		30.0		30.0	

2-2. Outlook for Financial Results (by Segment)

(100 million yen)		Transportation Business	Industry Business	ICT Solution Business*
FYE May 2024 (Forecast)	Orders received	231.0	125.0	16.0
	Net sales	218.0	116.0	11.0
	Segment profit	24.5	9.5	2.5
YoY Change	Orders received	+ 21.4	+ 16.5	+ 1.8
	Net sales	+ 19.5	+ 17.0	-1.5
	Segment profit	+ 2.0	+ 4.8	-1.6

* In the fiscal year ended May 31 2023, the reporting segment was changed from “Information Equipment Systems” to “ICT Solution Business”

<Reference> Assumptions for Outlook for Financial Results

The business environment assumed in the outlook for the financial results for the fiscal year ending May 31, 2024

Transportation Business

- Domestic railway operators plan to invest in sustainability initiatives. Introduction of new rolling stock and equipment replacement for energy saving is expected.
- In China, demand for the production of new rolling stock is expected to increase in addition to demand for the maintenance of existing rolling stock. Elsewhere overseas, there are also signs of strong activity backed by demand for infrastructure in Southeast Asian countries.

Industry Business

- Demand for capital investment, mainly in the manufacturing industry, has increased, and orders for production and processing equipment can be expected, including customized system products with different specifications for each customer.
- In the testing system for automobiles, a rapid shift to electrification of automobiles will lead to an active investment review.
- We expect to see an increase in demand for test equipment and power supply equipment compatible with electrification as well as power generation equipment for distributed power sources that utilize renewable energy, in preparation for the arrival of a sustainable society, and we are therefore promoting technological development aimed at increasing orders.

ICT Solution Business

- In addition to systems for cashless station operating equipment, we are working to expand the scope of the business to cover all aspects of ICT, including cloud-based remote monitoring systems that enable monitoring and control of mobile devices, equipment and facilities.

3. Medium-Term Management Plan 2026

(From June 1, 2022 to May 31, 2026)

Announcement of Management Targets under Medium-Term Management Plan 2026

Previous Medium-Term Management Plan

**Revitalize
2020/2022**

FYE May 2022

■ Significant failure to meet sales targets

Initial plan

(Announced in July 2018)

**Over 47
billion yen**

Revised plan

(Announced in January 2021)

36 billion yen

FYE May 2022 (final year)

**Actual results: 30.1
billion yen**

Reasons
for failure

The Group was not able to secure sufficient profitability to respond to major changes in the business environment

- Decrease in the number of railway passengers due to the COVID-19 pandemic
- Review of test equipment for the electrification of automobiles, etc.

■ Recognized an impairment loss of approximately 2.2 billion yen after reviewing the future recoverability of the Industrial Business

July 2022

By positioning FYE May 2023 as “**a year to thoroughly take initiatives in structural reforms to increase profitability**,” promoting initiatives to achieve “**revitalization and transformation of Toyo Denki**” based on **three basic policies**



Postponed the announcement of the numerical targets of the Medium-Term Management Plan (to be announced in July 2023)

The single-year (FYE May 2023) plan was generally achieved

July 2023

Announced numerical targets for the fiscal year ending May 31, 2026 (final year)

**Medium-Term
Management
Plan 2026**

FYE May 2026

Achievements of “a year to thoroughly take initiatives in structural reforms to increase profitability”

Achievements of the “three basic policies” set for structural reform

■ Expansion of new businesses and products

Delivery of real-time state monitoring system for railways

Added an “IORemorter” in the VVVF inverter of railway stock, capable of real-time condition monitoring via the public cloud.

Delivery of an in-car replenishment ticket processor using a smartphone

Crews need not carry a conventional dedicated terminal by making its functions an app for a business smartphone they carry around, and this improves safety and services, and helps reduce their workload.



■ Thorough improvement in earnings structure of existing businesses

Improvement in plant profitability

Review of appropriate selling prices in response to cost increases

■ Improvement in asset efficiency with awareness of capital cost

Continued curtailment of cross-shareholdings

Sale of the vacant lot of company housing

Business Environment

- There remain concerns about factors such as a slowdown in economic recovery overseas, supply constraints for parts and materials, and unclear monetary and foreign exchange trends
- Expects increased demand for social and industrial infrastructure products to reduce environmental burden in response to increasing environmental awareness

Transportation Business

Japan

Railway operators are expected to further introduce new rolling stock and replace equipment in order to improve profits and due to increasing trend of energy saving

China

Demand for the maintenance of existing rolling stock and an increase in the production of new rolling stock are expected though there remain concerns about a slowdown in the Chinese economic recovery and price competition due to a shift to domestic production

Overseas (excluding China)

Backed by strong infrastructure demand in Southeast Asian countries, delivery of new rolling stock is expected for the opening of new lines

Industry Business

Testing system for automobiles

Customers have actively re-examined investment due to a rapid shift to electrification of automobiles

Production and processing equipment system

Orders received are expected to grow, backed by an increase in demand for equipment, mainly in the manufacturing industry

Power generation and social infrastructure system

Orders for power supply equipment for distributed power sources and emergency/regular power generation equipment are expected to increase due to the utilization of renewable energy and rising demand for a stable energy supply

ICT Solution Business

System for station operating equipment

As a result of improved profits of railway operators through the recovery in the number of railway passengers, orders for systems to enhance services for railway users are expected to recover

IoT Solutions

Orders received are expected to increase for cloud-type remote monitoring control systems that realize monitoring and control of mobile devices and remote facilities

Medium-Term Management Plan 2026

Core Value and Strengths

[Group Business Principles]

- Prioritize ethics and contribute to the prosperity of customers and society as a whole
- Encourage creativity and an enterprising spirit to meet the challenges of the future
- Build trust by focusing on quality first



Medium-Term Management Plan 2026

[Slogan]

**Achieve “revitalization and transformation of Toyo Denki”
in order to “restore and improve the corporate value”**

[Three Basic Policies]

1. Expansion of new businesses and products
2. Thorough improvement in earnings structure of existing businesses
3. Improvement in asset efficiency with awareness of capital cost

Medium-Term Management Plan 2026

■ Consolidated financial targets for FYE May 2026

Net sales 40 billion yen

(FYE May 2023: 31 billion yen)

Operating margin 5%

(FYE May 2023: 1.7%)

ROE 8%

(FYE May 2023: 3.5%)

■ Three basic policies

Expansion of new businesses and products

Strengthen and expedite development of new business areas across the Company, and respond to electrification, DX, and decarbonization

Thorough improvement in earnings structure of existing businesses

Radical strengthening of profitability with plants and marketing in unison from both aspects of improving production efficiency and securing appropriate sales prices

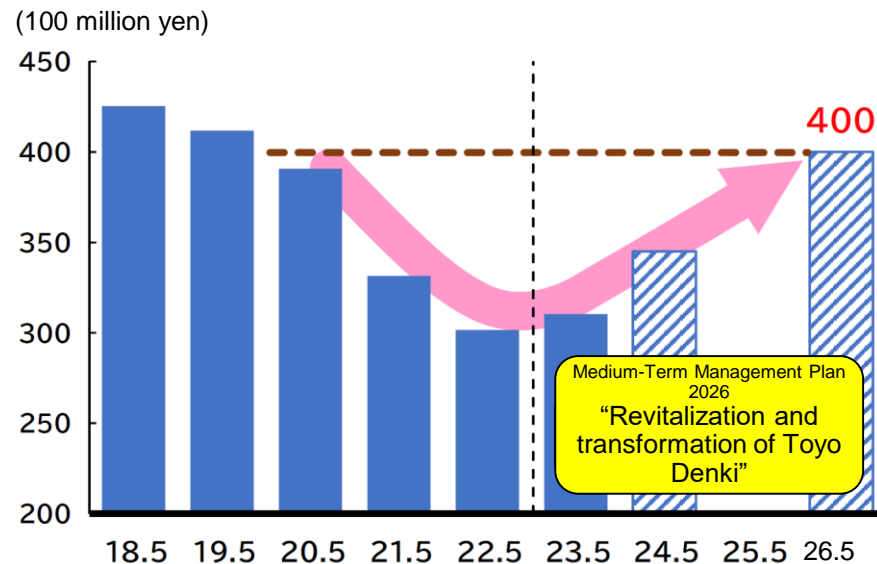
Improvement in asset efficiency with awareness of capital cost

Continue to reduce cross-shareholdings, review capital efficiency of each business and consider reallocation of management resources

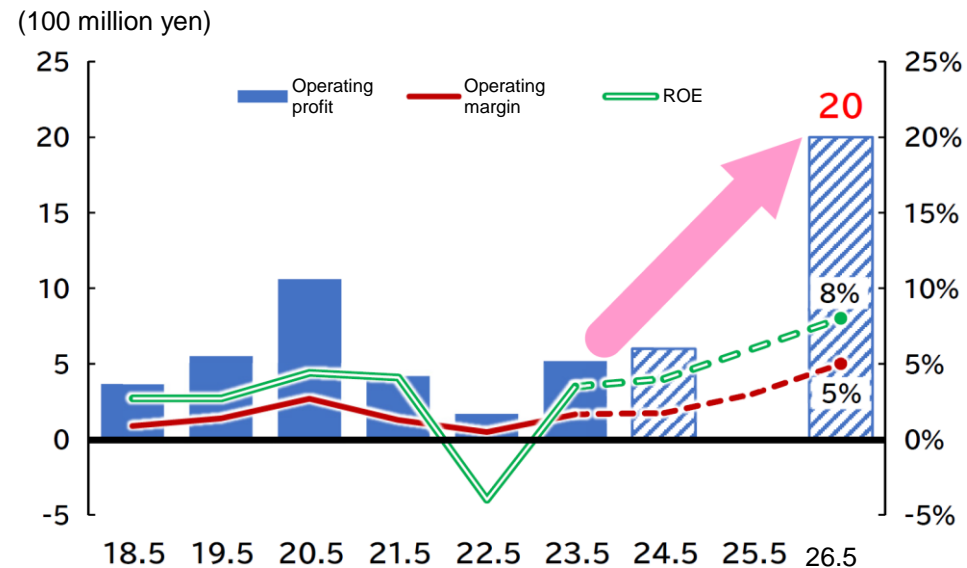
Consolidated financial targets

- Return sales to the pre-COVID level of **40 billion yen** through “**expansion of new businesses and products**”
- Improve operating profit and ROE significantly by “**thorough improvement in earnings structure of existing businesses**” and “**improvement in asset efficiency with awareness of capital cost**”

Net sales



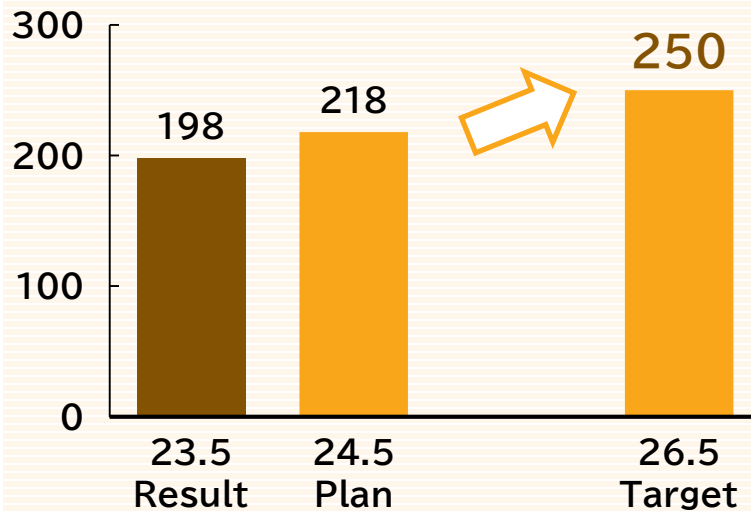
Operating profit and ROE



Transportation Business

Net sales

(100 million yen)

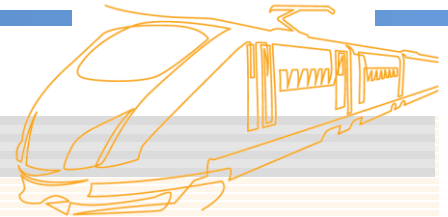
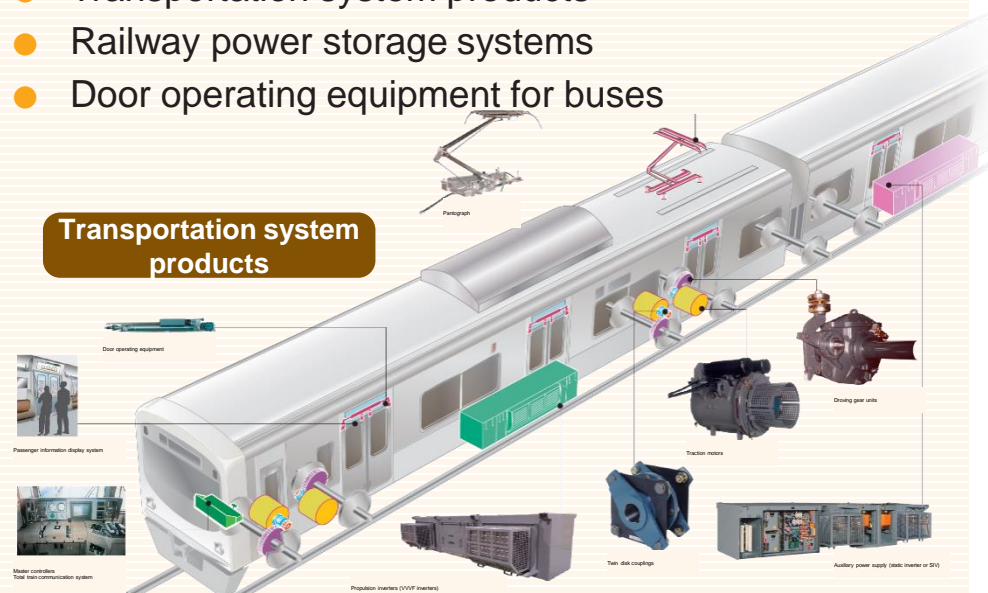


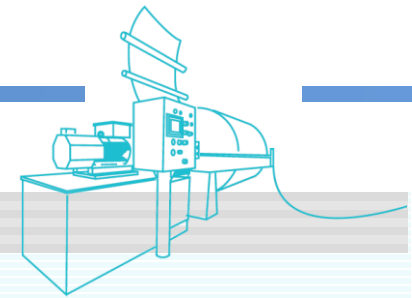
Major initiatives

- In order to reduce environmental burden (cut power consumption), demand for railway power storage systems, which store regenerative power during braking, has increased. So, we will expand testing facilities to strengthen the production system.
- Promoting development of environmentally friendly products for energy saving, saving of maintenance, and noise reduction

Main products

- Transportation system products
- Railway power storage systems
- Door operating equipment for buses

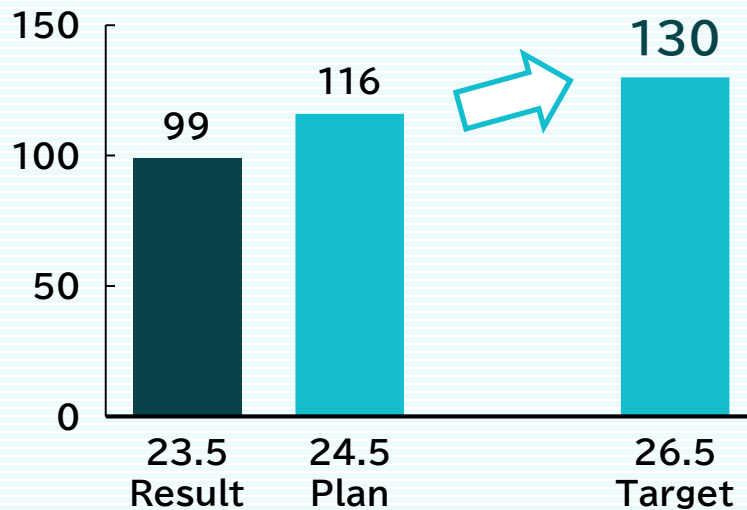




Industry Business

Net sales

(100 million yen)

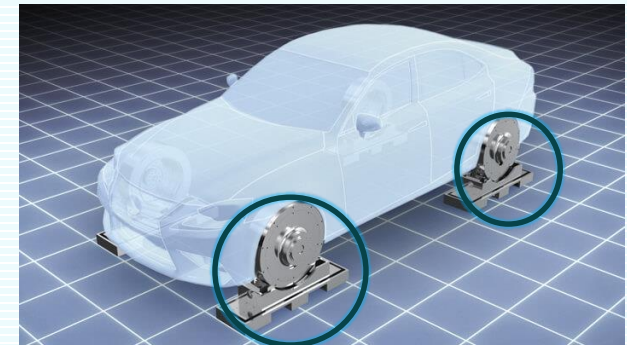


Main products

- Testing system for automobiles
- Production and processing equipment system
- Power generation and social infrastructure system
- Automotive electrical equipment
- Other (cableway electrical products, etc.)

Major initiatives

- Advancing improvements to “in-tire house dynamo” and aiming to use it in EV-compatible vehicle tests and ADAS tests
- Responding to a recovery in investment demand for energy-saving equipment and expanding the supply of energy-saving equipment
- Aiming to expand the use of renewable energy by engaging in small hydroelectric power generation and wave power generation



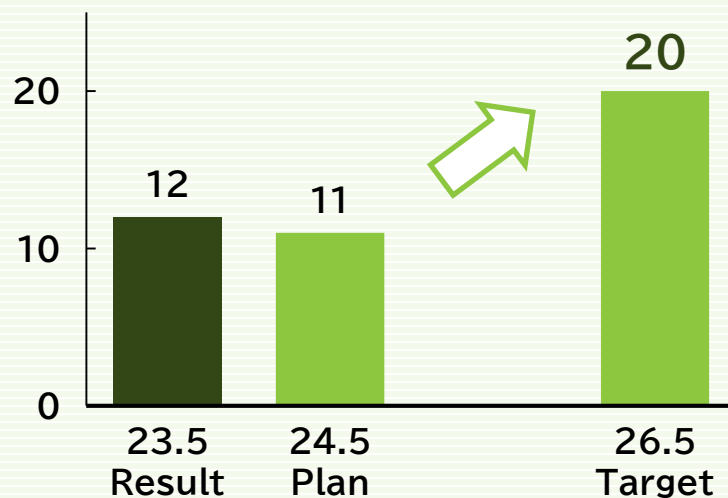
In-tire house dynamo

Segment Initiatives

ICT Solution Business

Net sales

(100 million yen)



Main products

- System for station operating equipment
- IoT solutions (cloud-type remote monitoring control systems)

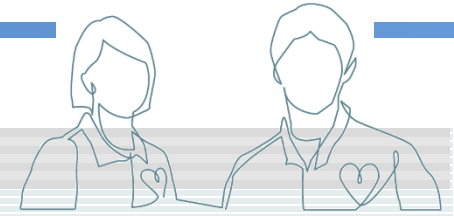


Major initiatives

- The system for station operating equipment improve convenience for railway users and saves labor for railway operators
- IoT solutions provide cloud- and mobile-based solution services that improve operational efficiency and optimize maintenance by monitoring and controlling mobile and remote facilities

Initiatives to “expand new businesses and products”

New business development



Promote development of company-wide new business areas with a development center as its core

Case example

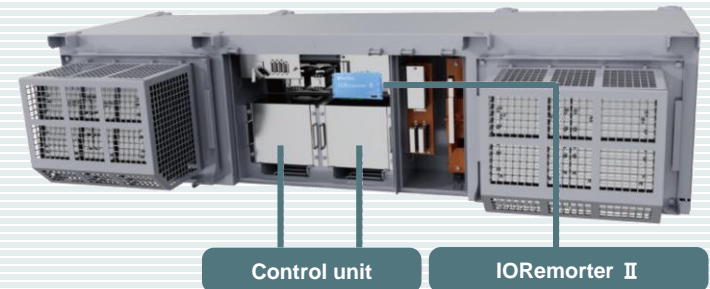
Transportation Business × ICT Solution Business × Development center

Real-time state monitoring system for railway

Developed and supplied an “IORemorter” in a VVVF inverter of railway stock, capable of real-time condition monitoring via the public cloud. It is a system to realize the IoT for railway-vehicle-mounted equipment by making a simple additional modification.

We are working to realize a more energy-saving and maintenance-saving railway system by collecting data to improve maintenance performance in the railway field and helping to reduce power consumption through data analysis.

Image installed in VVVF inverter



ICT Solution Business × Transportation Business × Development center

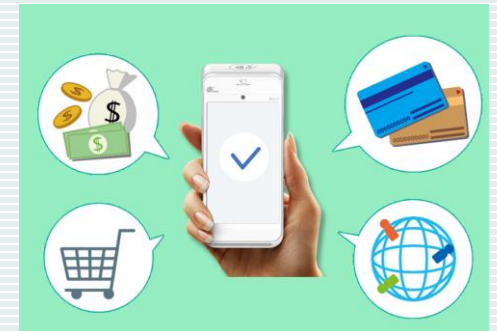
Cashless payment terminal solution

We provide a terminal with various payment methods such as touch payment, code payment, and electronic money.

Since it is a portable terminal with an integrated printer, it can be used in any place or scene.

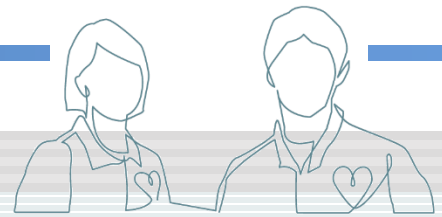
It can be used for variable purposes other than the conventional in-car replenishment ticket processor.

We can offer it as a backward system using a cloud server. We will build applications for business use according to your request.



Initiatives to “expand new businesses and products”

New business development



Promote development of company-wide new business areas with a development center as its core.

Case example

Industry Business × Development center

Evaluation facility compliant with automated driving assistance systems (ADAS)

Utilizing the “in-tire house dynamo” developed in 2020, we are working to further develop the next-generation vehicle testing equipment for testing autonomous driving and advanced driving assistance systems.

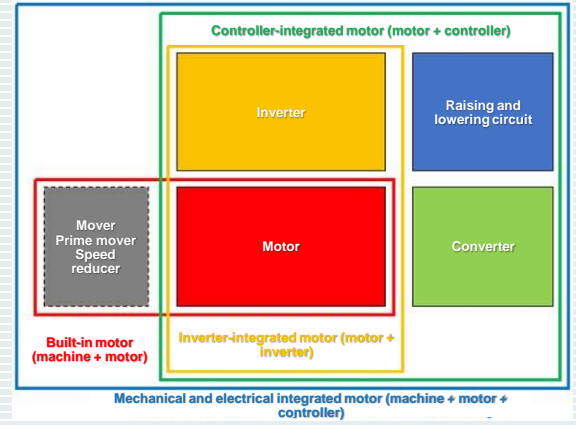
We have collected opinions of users who have already introduced them and those who are interested in them at exhibitions and other events, and we will reflect their opinions and future market trends in new functions for further improvement and support automobile development. As such, we will contribute to the realization of a sustainable society, including decarbonization.

Industry Business × Development center

Development and mass production of on-demand motors

Utilizing the power electronics technology and production technology that we have cultivated for railway rolling stock and general industry, we are promoting the development of on-demand motors to meet customer needs, such as the dedicated development of electric motors and inverters for mobile devices, and the optimal built-in design (integration of machine and electrical devices) for prime movers, pumps, and production machinery.

We will develop products with higher added value by providing one-stop support from trial production to mass production of small lots with custom features such as miniaturization, weight reduction, inverter/converter control, environmental resistance, optimum high efficiency, and high functionality.




Initiatives for Sustainability

Implement initiatives to achieve the numerical targets released in February 2023

◆ Sustainability policy

Three perspectives	Initiative in Products and Services	Initiative in Production Activities	Initiatives to Value People and Local Communities
Policy	We will provide products and services that contribute to the realization of a sustainable society using our group's outstanding technologies.	We will reduce the environmental burden of our production activities and continue to enhance the local environment.	We will care about our employees and local communities and deliver our vitality to the future.

◆ Numerical targets

		FY2026	FY2030	...	FY2050
Environ ment	CO₂ emissions (Scope 1 & 2, compared with FY2018)	10% reduction	30% reduction	...	100% reduction
Human capital	Employment rate for persons with disabilities	2.9% or more	3.0% or more	 <p>For details, please visit our website. https://www.toyodenki.co.jp/esg_csr/pdf/2022/p19-27.pdf </p>	
	Ratio of female employees (Administration divisions/ chief level)	25% or more	30% or more		
	Ratio of female employees (Administration divisions/ management level)	8% or more	15% or more		
	Ratio of male employees taking childcare leave	50% or more	70% or more		

Initiatives for Sustainability

Expression of Support for TCFD Recommendations and Information Disclosure

Recognizing that responding to climate change is an important management issue, the Company expressed its support for the TCFD recommendations and disclosed information.

TCFD (Task Force on Climate-Related Financial Disclosures):

Established by the Financial Stability Board in 2015 to study how to disclose climate-related information.



For details, please visit our website

https://www.toyodenki.co.jp/esg_csr/tcfid.php

<Reference> Our company profile and business overview

- (1) Establishment** : **June 20, 1918 (104 years since establishment)**
- (2) Capital stock** : **4.9 billion yen**
(consolidated: fiscal year ended May 31, 2023)
- (3) Net Sales** : **310 billion yen (ditto)**
- (4) Number of employees** : **1,149 (ditto)**
- (5) Business lines** : **Transportation Business**
Industry Business
ICT Solution Business
- (6) Production base** : **Yokohama Plant**
Shiga Ryuo Plant



<Yokohama Plant>



<Shiga Ryuo Plant>

<Reference> Our company profile and business overview

We are contributing to the development of the railway and industrial fields as a heavy electric machinery manufacturer with three businesses: Transportation Business, Industry Business, and ICT Solution Business.

Transportation Business: products and systems for moving trains



Pantograph



Variable Voltage Variable Frequency (VVVF) Inverter Controller



Motor



Gear units

Industry Business: production, infrastructure facilities, etc.



Automobile test system



Inverter



ED motor

ICT Solution Business: station service equipment, etc.



Portable terminal for conductor



Cloud-type remote monitoring control system

Disclaimer

- Statements concerning financial results forecasts are based on data available as of the date of publication of this material and assumptions concerning the elements of uncertainty that will affect future business performance as of the date of publication of this material. Actual financial results may differ depending on a variety of factors.
- Forward-looking statements contained in this material are the judgments of the Toyo Denki Group based on data available at the time of publication of this material. Such statements and descriptions are by no means comprehensive.

<Inquiries on this presentation>

Toyo Denki Seizo K.K.

PR, IR, and CSR Department, Management Planning Division

TEL:03-5202-8122

Inquiry form:<https://www.toyodenki.co.jp/inquiry/inquiry.php>