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# Financial Results Briefing

## First Half of Fiscal 2016

### (Ended November 30, 2016)

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January 13, 2017  
Toyo Denki Seizo K.K.

- Briefing on Financial Results: 25 minutes
  1. Overview of Financial Results for the First Half of Fiscal 2016
  2. Consolidated Financial Forecast for Fiscal 2016
  3. Current Status of the Medium-Term Management Plan
  
- Q&A: 30 minutes

1. Overview of Financial Results for  
the First Half of Fiscal 2016  
(June 1–November 30, 2016)

# 1-1. Overview of Consolidated Financial Results

Lower revenues and operating income due to the carryover effects of Q1, but ordinary income and other items will be close to the forecast.

Net Sales and Operating Income

Lower than the forecast, due to the sluggish performance of the Industrial Systems segment at the start of the fiscal year.

Ordinary Income

Generally in line with the forecast, due to foreign exchange rates turning in our favor from the forecast.

Orders Received

Some orders for international projects were moved back, but overall orders increased year on year.

(Billions of yen)

	1H	1H	1H	YoY		Difference	
	FY2014	FY2015	FY2016	Change	(%)		(%)
Net sales	19.07	18.75	18.14	-0.61	-3.2%	-1.86	-9.2%
Operating income (%)	0.58 (3.1%)	0.61 (3.3%)	0.18 1.0%	-0.43 -2.3%	-70.7% —	-0.32	-64.2% —
Ordinary income	0.87	0.71	0.33	-0.38	-52.8%	-0.07	-16.8%
Net income	0.52	0.47	0.24	-0.23	-49.5%	-0.03	-11.7%
Net income per share (yen)	53.45	49.10	25.13	-23.97	—	-0.29	—
Orders received	19.60	19.13	20.92	+1.79	+9.4%	-1.68	-7.4%
Ratio of overseas sales to net sales	42.6%	33.1%	27.4%	-5.7%	—		

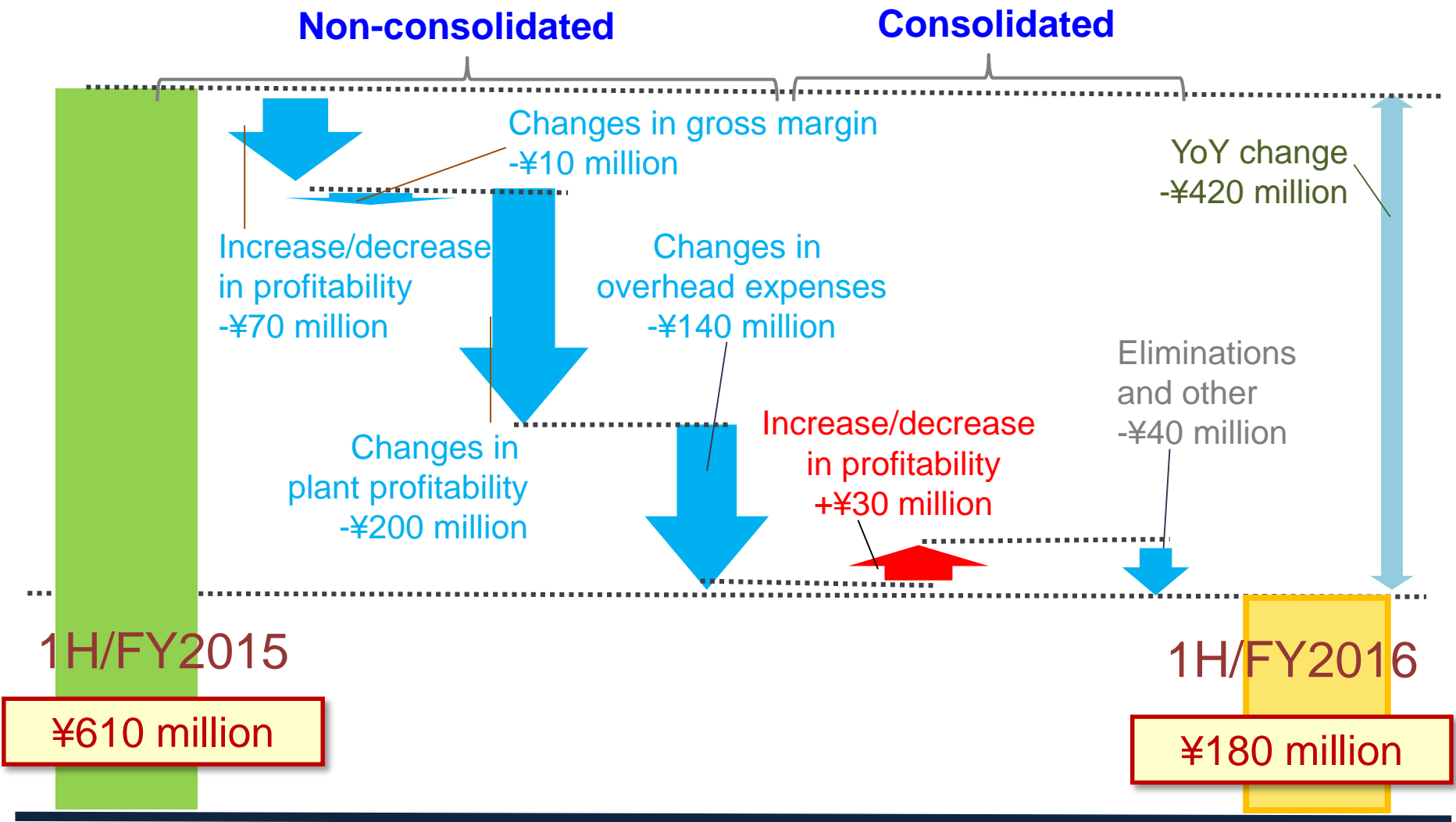
# 1-1. Reference: Overview of Consolidated Quarterly Earnings

Earnings picked up in Q2.

(Billions of yen)

	Fiscal 2016		
	1st Quarter (3 months ended Aug. 31, 2016)	2nd Quarter (3 months ended Nov. 30, 2016)	1st Half (6 months ended Nov. 30, 2016)
Net sales	7.77	10.37	18.14
Operating income	-0.53	0.71	0.18
Non-operating income/loss	-0.13	0.29	0.16
Ordinary income	-0.66	0.99	0.33
Net income	-0.45	0.69	0.24
Orders received	10.84	10.08	20.92
Ratio of overseas sales to net	27.7%	27.1%	27.4%

# 1-2. Factors Contributing to YoY Changes in Operating Income



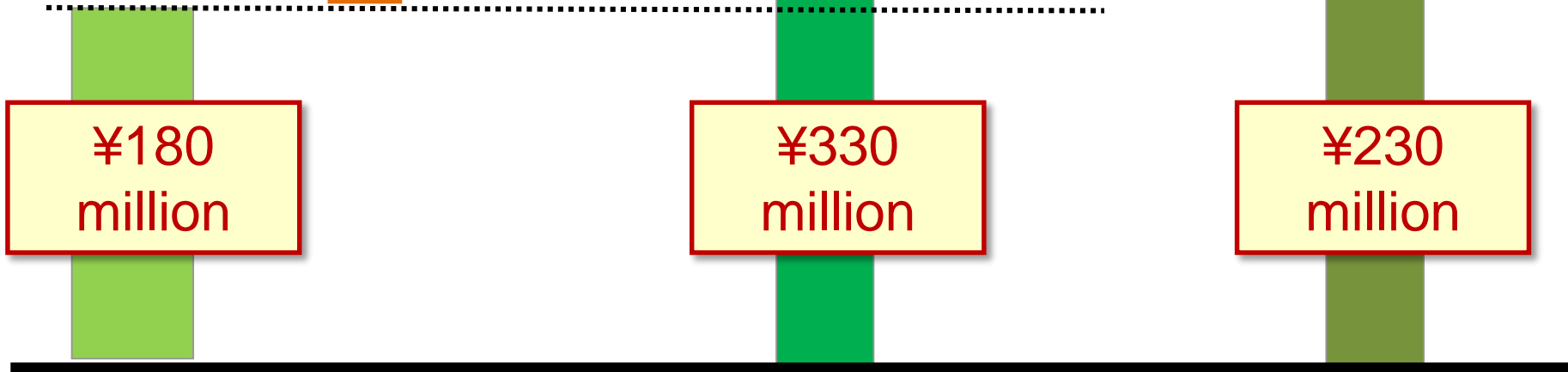
# 1-3. Non-Operating Income and Expenses

## Breakdown

- Net interest and dividends  
+¥110 million
- Gain on foreign  
currency exchange  
+¥10 million
- Equity in gain of equity-  
method investments  
+¥20 million
- Other  
+¥10 million

**Non-operating income  
+¥150 million**

**Income tax, other  
-¥100 million**



Operating  
income

Ordinary  
income

Net  
income

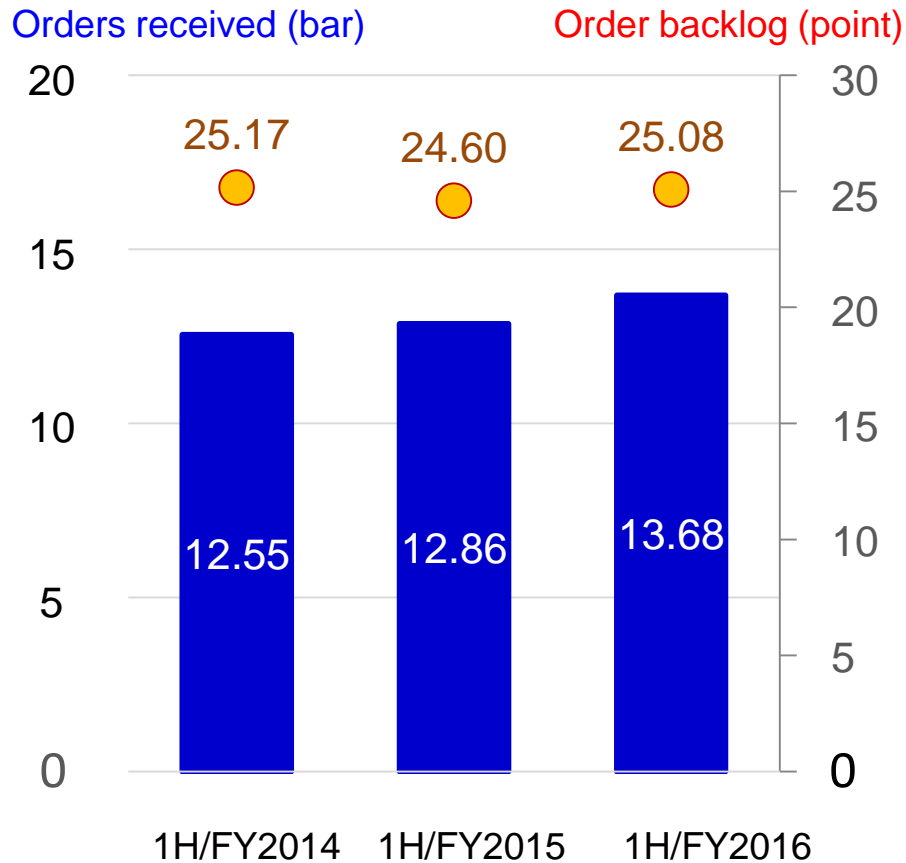
Note: Currency exchange rates  
 End of May 2016: ¥110.94/ US\$1.00  
 End of August 2016: ¥103.18/US\$1.00  
 End of November 2016: ¥112.42/ US\$1.00

# 1-4. Segment Performance: Transportation Systems

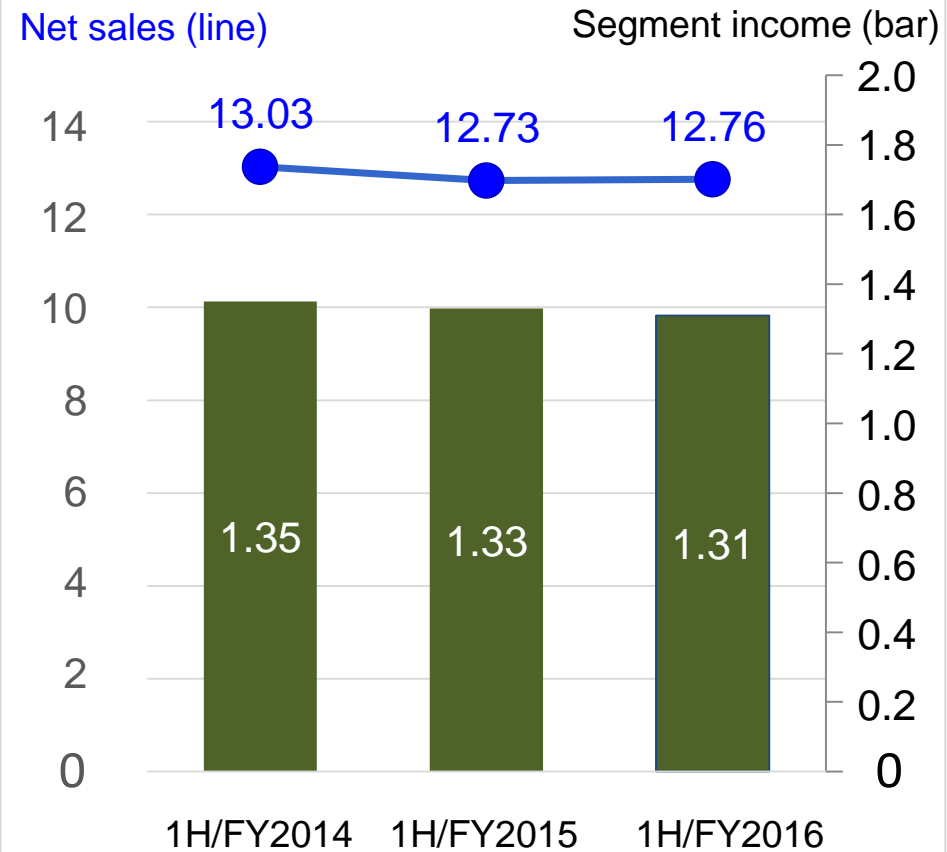
Some orders for international projects were postponed, but orders in Japan increased. Orders received increased overall, while net sales and segment income remained level year on year.

(Billions of yen)

### Orders Received and Order Backlog



### Net Sales and Segment Income



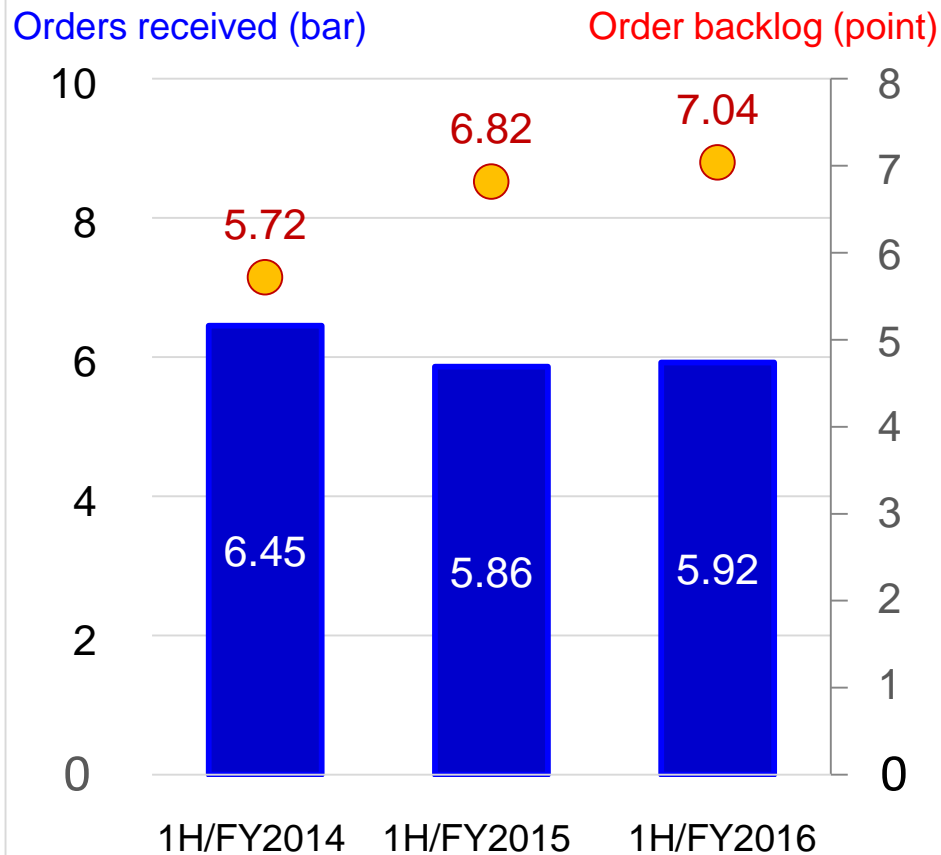


# 1-5. Segment Performance: Industrial Systems

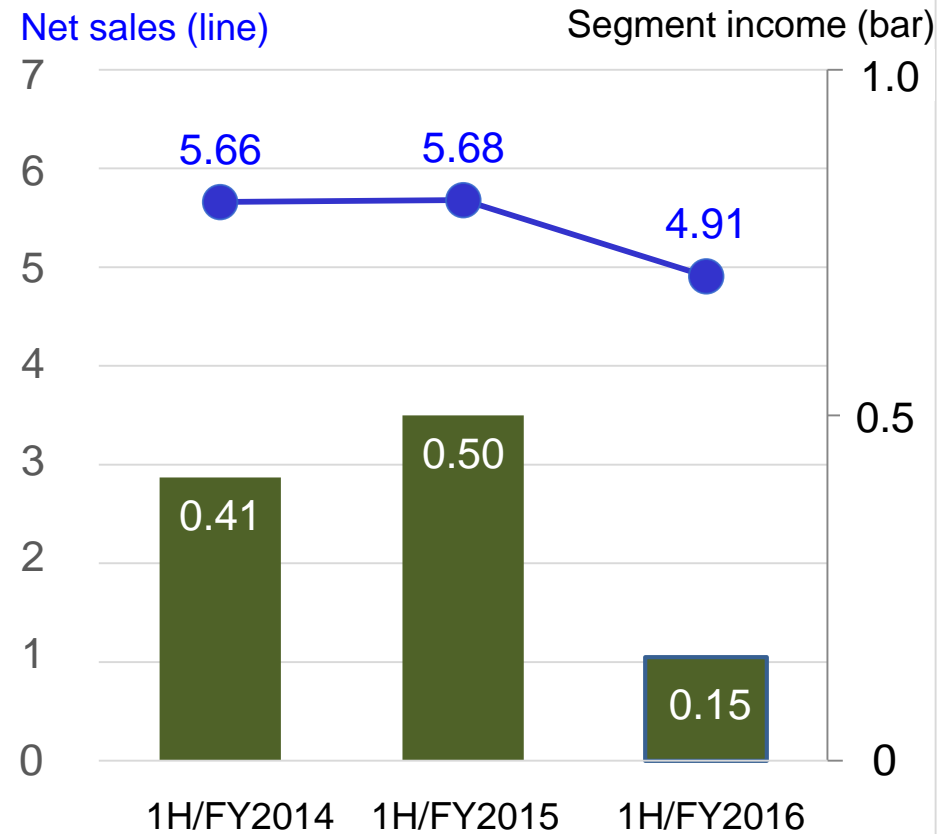
Orders received remained level year on year. Net sales and segment income were down year on year due to the effects of Q1.

(Billions of yen)

### Orders Received and Order Backlog



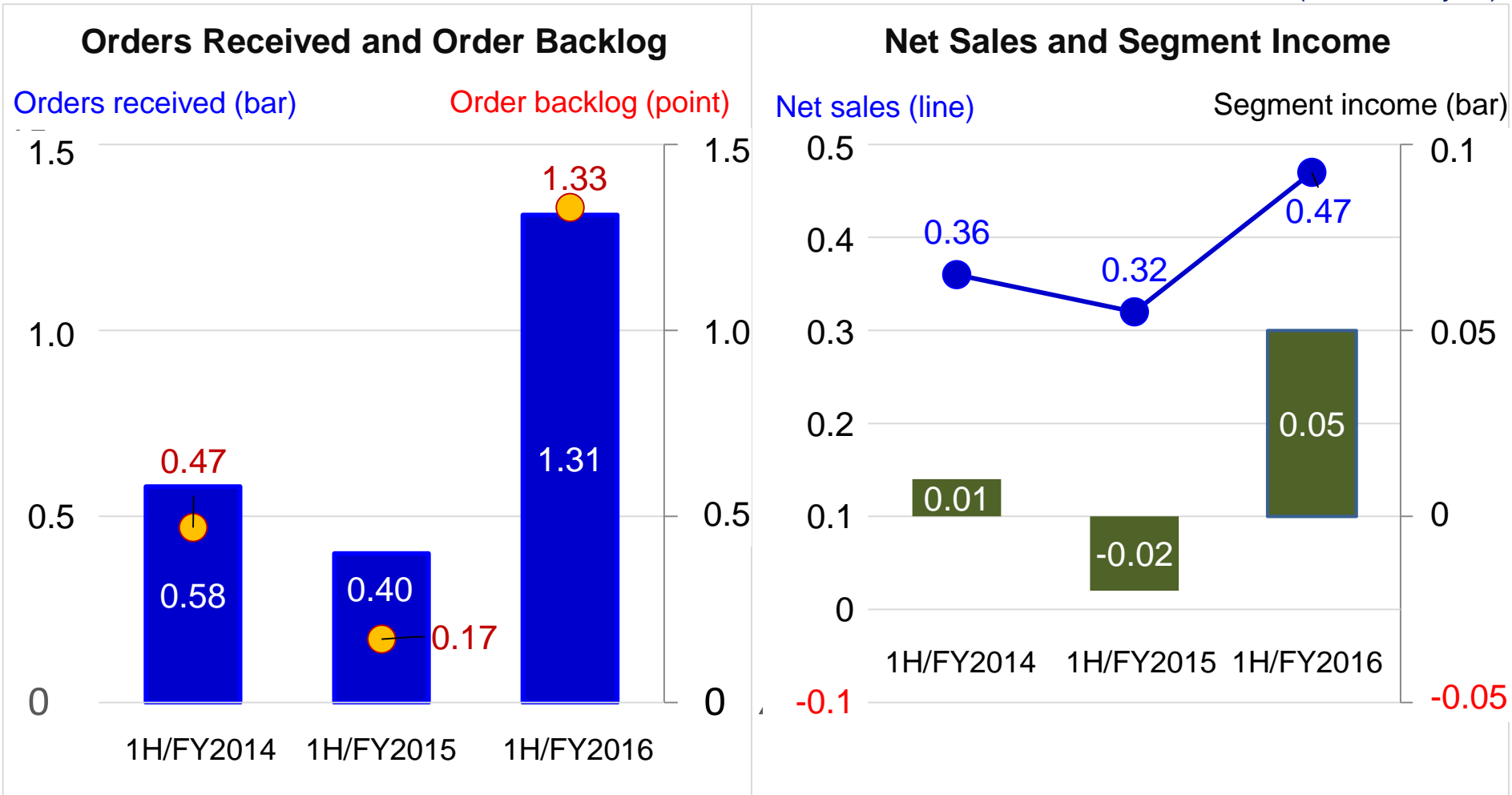
### Net Sales and Segment Income



# 1-6. Segment Performance: Information Equipment Systems

Orders received increased significantly due to capturing major projects. Net sales and segment income also increased.

(Billions of yen)



## 1-7. Consolidated Financial Position

(Billions of yen)

	FY2015		FY2016	YoY Change
	Nov. 30, 2015	May 31, 2016	Nov. 30, 2016	
<b>Total assets</b>	54.3	50.2	51.2	+1.0
Current assets	27.1	25.5	26.2	+0.7
Fixed assets	27.2	24.7	24.9	+0.2
<b>Total liabilities</b>	29.5	26.5	27.9	+1.4
Of which, interest-bearing debt	10.8	8.3	9.6	+1.3
<b>Net assets</b>	24.8	23.7	23.3	-0.4
<i>Equity ratio</i>	45.7%	47.1%	45.5%	-1.6%

**Assets**

- Current assets: Increase in inventory (+¥0.5 billion)

**Net Assets**

- Increase in retained earnings (+¥0.05 billion) and treasury stocks (-¥0.3 billion), others

## 2. Consolidated Financial Forecast for Fiscal 2016

## 2-1. Consolidated Financial Forecast for Fiscal 2016

The forecast reflects conditions until now. Net sales, ordinary income, and net income are projected to increase year on year.

	(Billions of yen)		
	FY2015 Result	FY2016 Forecast	YoY Change
Net sales	39.74	41.00	+1.26
Operating income (%)	1.63 (4.1%)	1.60 (3.9%)	-0.03
Ordinary income	1.49	1.70	+0.21
Net income	0.88	1.10	+0.22
Net income per share (yen)	93.52	115.62	+22.10
Dividend forecast (yen per share)	30	30	±0
Orders received	39.89	42.00	+2.11

## 2-2. Segment Outlook

(Billions of yen)

		Transportation Systems	Industrial Systems	Information Equipment Systems	Adjustment	Total
FY2016 (Full Year Forecast)	Net sales	27.50	12.00	1.50	0.00	41.00
	Segment income / Operating income	2.89	0.95	0.25	-2.49	1.60
	Orders received	28.00	12.50	1.50	0.00	42.00

### 3. Current Status of the Medium-Term Management Plan

## “Next 100: Beyond 100 years, Ver. 2”

Aiming to strengthen the management foundation as a 50 billion yen company under the slogan: “Beyond the 100-Year Mark.”

- Period covered: FY2013–FY2017 (June 2014–May 2018)  
\*“Ver. 2” period: FY2015–FY2017 (June 2016–May 2018)

### ■ Fundamental Policy



### ■ Performance Targets

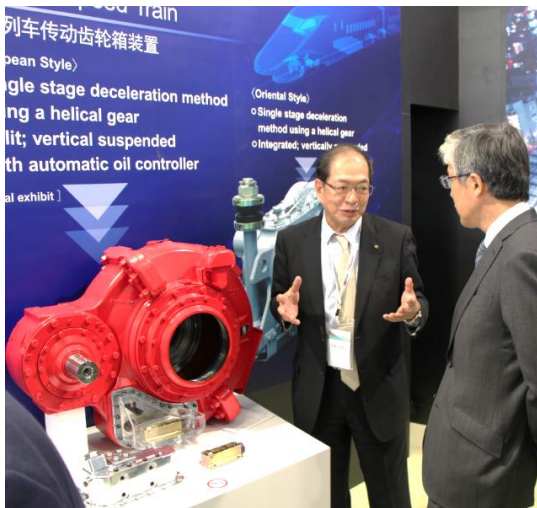
	NEXT100			
	FY2014	FY2015	FY2016 (Forecast)	FY2017 (Final year)
<b>Net sales</b>	39.61	39.74	41.00	46.00
<b>Operating income</b> <i>(Operating income margin)</i>	1.59 (4.0%)	1.63 (4.1%)	1.60 (3.9%)	2.40 (5.2%)
<b>Ordinary income</b>	2.05	1.49	1.70	2.50
<b>Net income</b>	1.10	0.88	1.10	1.70
<b>Overseas net sales</b> <i>(Ratio of overseas sales to net sales)</i>	15.06 (38.0%)	12.65 (32.0%)	-	23.00 (50%)



# 3-2-1. Strengthening International Competitiveness (Transportation Systems)

Made steady progress adapting to changing business conditions in China.

1. Development of driving gear units for European-specification trains used in Chinese high speed railways
2. Development of driving gear units for standard China high-speed trains.
3. Order for pantographs for extension of Beijing Subway Line 6.
4. Order for pantographs for Chengdu LRV



At InnoTrans 2016 in Berlin (world's largest trade fair for rail technology): Positive interest in driving gear units and pantographs for high-speed rail.



Pantographs for Beijing Subway

# 3-2-2. Strengthening International Competitiveness

## (Transportation Systems)

Made steady progress adapting to changing business conditions in China.

Began providing electrical equipment and maintenance services in China.

Changzhou Ruiyang Transmission Technology and Beijing Jingche Shuangyang Traction System made progress in developing their maintenance business.



Changzhou Ruiyang Transmission Technology: Increased the production capacity for gear drive units by 50%.

# 3-3-1. Building a Stable Business Earnings Structure (Transportation Systems)

Capitalized on increasing demand for new and upgrade equipment in Japan.



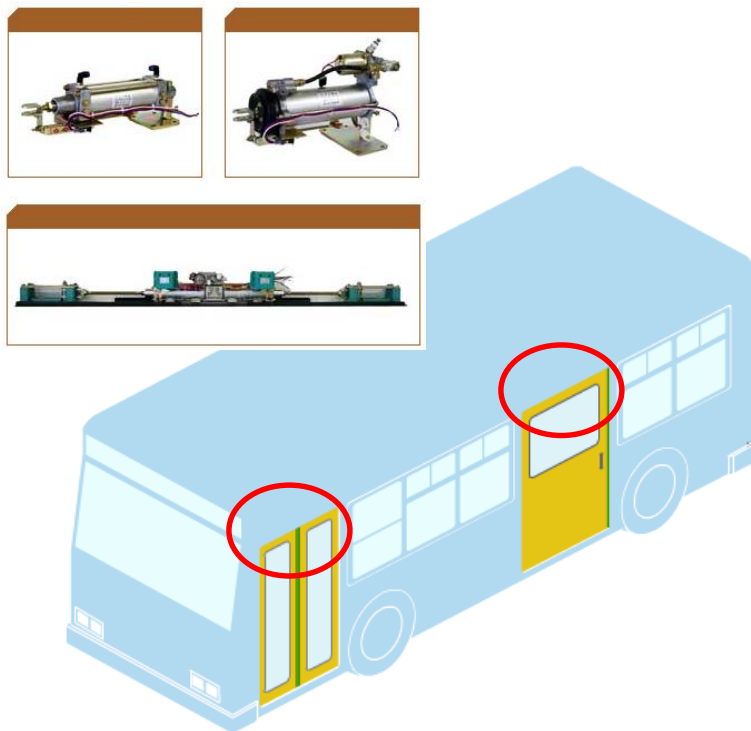
Delivered electrical equipment for the Train Suite Shiki-Shima luxury sightseeing train operated by East Japan Railway Company (JR-East) to launch in May 2017.

# 3-3-2. Building a Stable Business Earnings Structure

(Transportation Systems)

Strong demand for door operating equipment and inverters.

Strong demand for door operating equipment, driven by in-bound tourism growth in Japan.  
Developed new electrical door operating equipment for rail cars and initiated testing in actual cars.



Door operating equipment for buses



Electrical door operating equipment for rail cars (mock-up for exhibiting purposes)

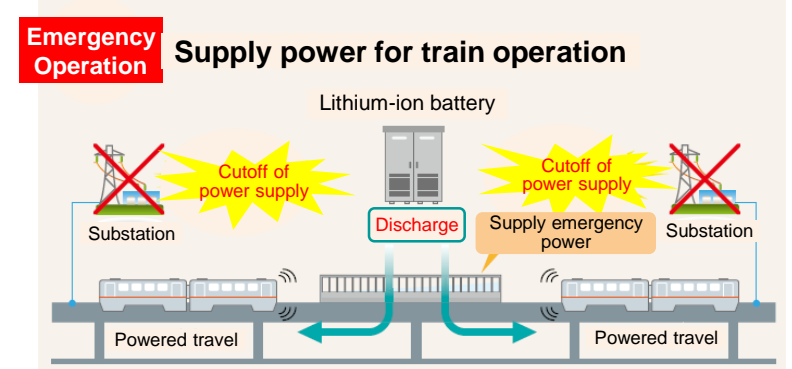
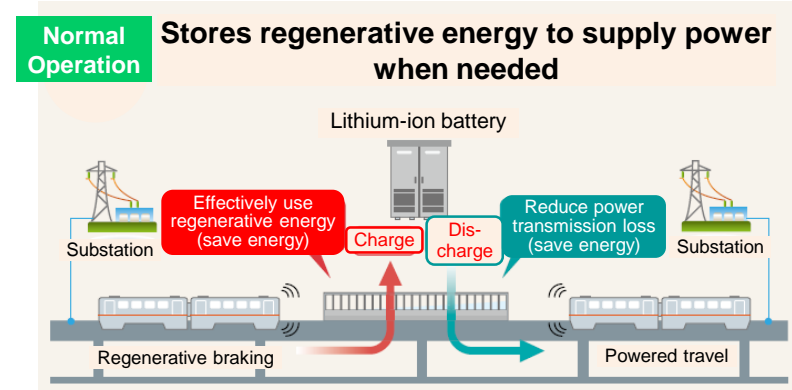
# 3-3-3. Building a Stable Business Earnings Structure

(Transportation Systems)

Strengthened products and solutions to reduce energy.

E<sup>3</sup> Solution System (energy storage system) adopted for Tama Monorail.

Supplies power during normal operation and emergency power when power is cut off.

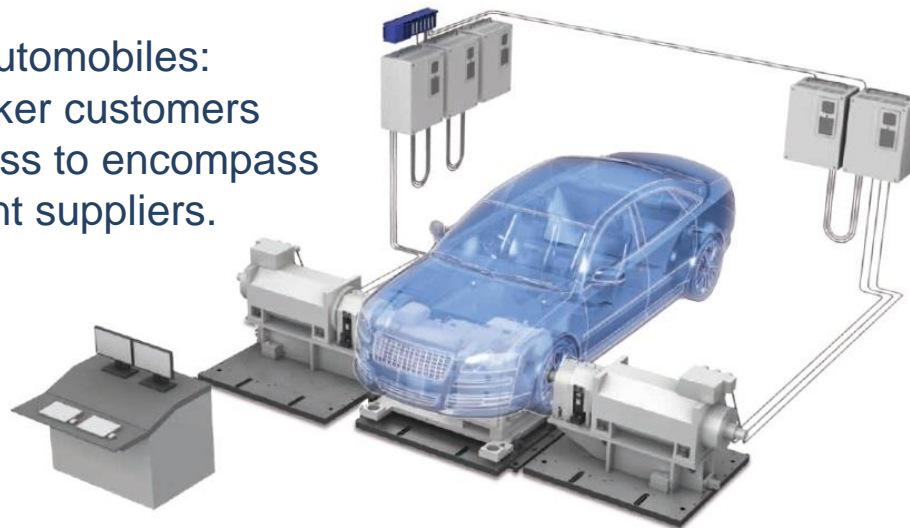


# 3-3-4. Building a Stable Business Earnings Structure

(Industrial Systems)

Enhancements to testing systems for automobiles and processing equipment systems.

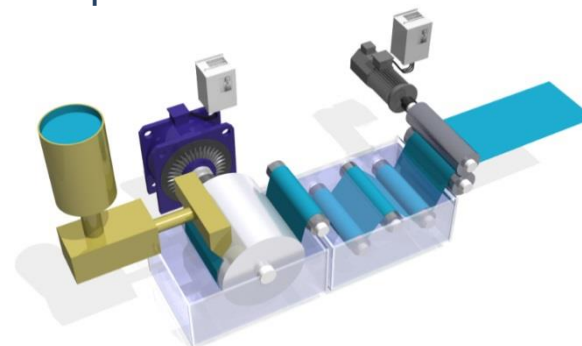
1. Testing systems for automobiles:  
Gained more automaker customers and expanded business to encompass automotive component suppliers.



2. Printing machines:  
Captured demand driven by 2020 Olympics.



3. Processing equipment systems:  
Increased the capacities for electrical equipment, to strengthen the business in international markets. Development expected to be completed in fiscal 2016.



# 3-3-5. Building a Stable Business Earnings Structure

(Industrial Systems)

Strengthened efforts to expand the scope of the business, including meeting demand for distributed power systems.

Leveraged extensive expertise in permanent magnet type synchronous generators and system interconnection for renewable energy applications (small-scale hydroelectricity, wind power, biomass energy, wave power, and tidal power)



Kachugawa Small Hydroelectric Power Plant (Tsuru City, Yamanashi Prefecture)



Kuji Wave Power Plant (Kuji City, Iwate Prefecture)



Power conditioner



EDG permanent magnet type synchronous generator (10–750 kW capacity)

## 3-3-6. Building a Stable Business Earnings Structure

- NEXT100

(Information Equipment Systems)

Received order for 50 commuter pass vending machines for the Transportation Bureau of the City of Yokohama, and began shipping the machines.

Projected to increase sales of composite ticket vending machines with enhanced security authentication that are also suitable for upgrade demand from other rail operators.



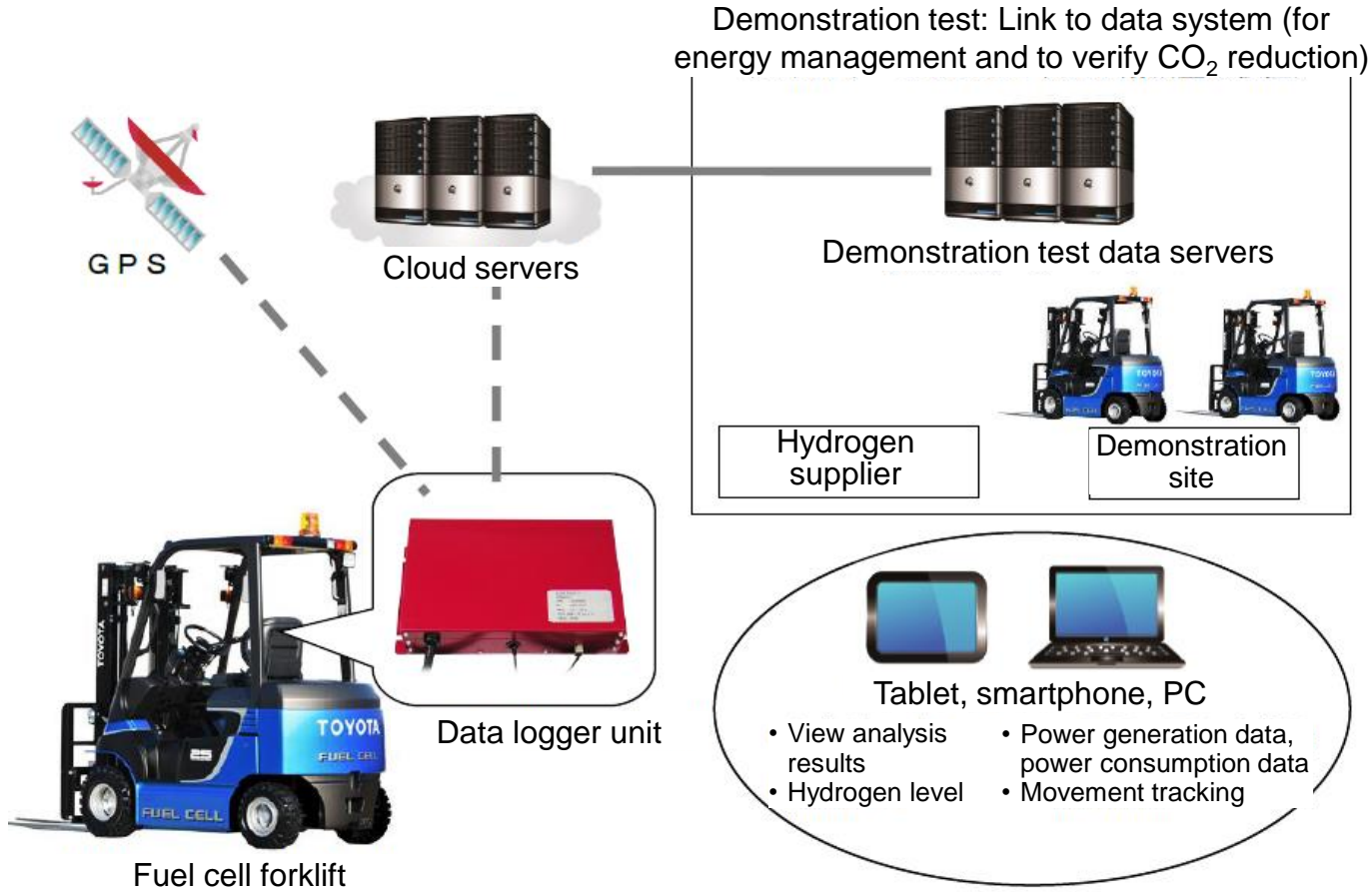
- Compatible with a variety of tickets such as IC cards, magnetic PET tickets, large magnetic tickets cut from rolled paper, and Edmondson old style tickets.
- About 20% less power consumed when in standby mode compared to conventional units.



# 3-4. Establishing New Businesses

Joint development with Toyota Industries Corporation on data collection and analysis system for fuel cell forklifts.

Developed on-board data logger for remote data management system offered by Toyo Denki. Collects operating data and uses cellular networks to store data on a cloud server for analysis.



# 3-5. Restructuring Production System

(Transportation Systems/Industrial Systems)

Nearing start of construction on new plant to significantly rebuild production capabilities.

## ■ Main Purpose

Transportation Systems: Achieve 30% increase in production capacity at Yokohama Works.  
Increase production capacity for VVVF, SIV, and KG.

Industrial Systems: Centralization of business locations and functions in Shiga area  
(currently spread out).  
Expand development capabilities and achieve 30% increase in  
production capacity.

## ■ General Data (Subject to Change)

Location: Ryuo-cho, Gamo-gun,  
Shiga Prefecture

Start of construction: March 2017

Start of operation:

In phases starting from January 2018

Land: 34,400 m<sup>2</sup> (compared with  
55,300 m<sup>2</sup> for Yokohama Works)



Thank you for your interest.

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