Financial Results Briefing
First Half of Fiscal 2016
(Ended November 30, 2016)

January 13, 2017
Toyo Denki Seizo K.K.
Program

- Briefing on Financial Results: 25 minutes
  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.

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

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

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

(Billions of yen)
1-1. Reference: Overview of Consolidated Quarterly Earnings

Earnings picked up in Q2.

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

(Billions of yen)
1-2. Factors Contributing to YoY Changes in Operating Income

**Non-consolidated**
- Increase/decrease in profitability: -¥70 million
- Changes in gross margin: -¥10 million
- Changes in plant profitability: -¥200 million

**Consolidated**
- Changes in overhead expenses: -¥140 million
- Increase/decrease in profitability: +¥30 million

**1H/FY2015**
- YoY change: -¥420 million
- Non-consolidated eliminations and other: -¥40 million
- 1H/FY2015: ¥610 million

**1H/FY2016**
- 1H/FY2016: ¥180 million

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**: ¥180 million

**Ordinary income**: ¥330 million

**Net income**: ¥230 million

*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
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.

**Orders Received and Order Backlog**

- Orders received (bar):
  - 1H/FY2014: 12.55
  - 1H/FY2015: 12.86
  - 1H/FY2016: 13.68

- Order backlog (point):
  - 1H/FY2014: 25.17
  - 1H/FY2015: 24.60
  - 1H/FY2016: 25.08

**Net Sales and Segment Income**

- Net sales (line):
  - 1H/FY2014: 13.03
  - 1H/FY2015: 12.73
  - 1H/FY2016: 12.76

- Segment income (bar):
  - 1H/FY2014: 1.35
  - 1H/FY2015: 1.33
  - 1H/FY2016: 1.31

**Graph Details**:
- Y-axis for orders received: 0, 5, 10, 15, 20, 25, 30
- Y-axis for order backlog: 0, 5, 10, 15, 20, 25
- Y-axis for net sales and segment income: 0, 0.2, 0.4, 0.6, 0.8, 1.0, 1.2, 1.4, 1.6, 1.8, 2.0

*(Billions of yen)*
Orders received remained level year on year. Net sales and segment income were down year on year due to the effects of Q1.
Orders received increased significantly due to capturing major projects. Net sales and segment income also increased.

**Orders Received and Order Backlog**

- Orders received (bar)
- Order backlog (point)

**Net Sales and Segment Income**

- Net sales (line)
- Segment income (bar)
### 1-7. Consolidated Financial Position

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>54.3</td>
<td>50.2</td>
<td>51.2</td>
<td>+1.0</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>27.1</td>
<td>25.5</td>
<td>26.2</td>
<td>+0.7</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td>27.2</td>
<td>24.7</td>
<td>24.9</td>
<td>+0.2</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>29.5</td>
<td>26.5</td>
<td>27.9</td>
<td>+1.4</td>
</tr>
<tr>
<td>Of which, interest-bearing debt</td>
<td>10.8</td>
<td>8.3</td>
<td>9.6</td>
<td>+1.3</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>24.8</td>
<td>23.7</td>
<td>23.3</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>45.7%</td>
<td>47.1%</td>
<td>45.5%</td>
<td>-1.6%</td>
</tr>
</tbody>
</table>

#### 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.

<table>
<thead>
<tr>
<th></th>
<th>Result (Billions of yen)</th>
<th>Forecast (Billions of yen)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>39.74</td>
<td>41.00</td>
<td>+1.26</td>
</tr>
<tr>
<td><strong>Operating income (%)</strong></td>
<td>1.63 (4.1%)</td>
<td>1.60 (3.9%)</td>
<td>-0.03</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>1.49</td>
<td>1.70</td>
<td>+0.21</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>0.88</td>
<td>1.10</td>
<td>+0.22</td>
</tr>
<tr>
<td><strong>Net income per share (yen)</strong></td>
<td>93.52</td>
<td>115.62</td>
<td>+22.10</td>
</tr>
<tr>
<td><strong>Dividend forecast (yen per share)</strong></td>
<td>30</td>
<td>30</td>
<td>±0</td>
</tr>
<tr>
<td><strong>Orders received</strong></td>
<td>39.89</td>
<td>42.00</td>
<td>+2.11</td>
</tr>
</tbody>
</table>
## 2-2. Segment Outlook

<table>
<thead>
<tr>
<th>FY2016 (Full Year Forecast)</th>
<th>Transportation Systems</th>
<th>Industrial Systems</th>
<th>Information Equipment Systems</th>
<th>Adjustment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>27.50</td>
<td>12.00</td>
<td>1.50</td>
<td>0.00</td>
<td>41.00</td>
</tr>
<tr>
<td>Segment income / Operating income</td>
<td>2.89</td>
<td>0.95</td>
<td>0.25</td>
<td>-2.49</td>
<td>1.60</td>
</tr>
<tr>
<td>Orders received</td>
<td>28.00</td>
<td>12.50</td>
<td>1.50</td>
<td>0.00</td>
<td>42.00</td>
</tr>
</tbody>
</table>
3. Current Status of the Medium-Term Management Plan
3-1. 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**

<table>
<thead>
<tr>
<th>NEXT100</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016 (Forecast)</th>
<th>FY2017 (Final year)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>39.61</td>
<td>39.74</td>
<td>41.00</td>
<td>46.00</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>1.59</td>
<td>1.63</td>
<td>1.60</td>
<td>2.40</td>
</tr>
<tr>
<td><strong>Operating income margin</strong></td>
<td>(4.0%)</td>
<td>(4.1%)</td>
<td>(3.9%)</td>
<td>(5.2%)</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>2.05</td>
<td>1.49</td>
<td>1.70</td>
<td>2.50</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>1.10</td>
<td>0.88</td>
<td>1.10</td>
<td>1.70</td>
</tr>
<tr>
<td><strong>Overseas net sales</strong></td>
<td>15.06</td>
<td>12.65</td>
<td>-</td>
<td>23.00</td>
</tr>
<tr>
<td><strong>Ratio of overseas sales to net sales</strong></td>
<td>(38.0%)</td>
<td>(32.0%)</td>
<td>-</td>
<td>(50%)</td>
</tr>
</tbody>
</table>
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.
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.
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 Co., Ltd.
- Increased the production capacity for gear drive units by 50%.

Beijing Jingche Shuangyang Traction System Co., Ltd.
- (maintenance of electrical equipment for Beijing subway)

Hunan Xiangyang Electric Co., Ltd.
- (assembly of inverters and other equipment for subways in China)

Toyo Denki USA, Inc.
- (assembly of inverters and other equipment for US market)

Net Sales (millions of yen)

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.

E³ Solution System (energy storage system) adopted for Tama Monorail. Supplies power during normal operation and emergency power when power is cut off.
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.

Enhancements to testing systems for automobiles and processing equipment systems.
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)
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.

- 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.

Demonstration test: Link to data system (for energy management and to verify CO₂ reduction)

- Hydrogen supplier
- Demonstration site
- Data logger unit
- Cloud servers
- Tablet, smartphone, PC
- Fuel cell forklift

- Power generation data, power consumption data, movement tracking
- View analysis results
- Hydrogen level
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 m² (compared with 55,300 m² for Yokohama Works)
Thank you for your interest.


Inquiries
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