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# **Financial Results Briefing First Half of Fiscal 2020 (Ended November 30, 2020)**

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January 13, 2021  
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## ■ Briefing on Financial Results:

1. Overview of Financial Results for First Half of Fiscal 2020
2. Outlook for Financial Results for Fiscal Year Ending May 2021
3. Revision of Medium-Term Management Plan
4. Topics

# 1. Overview of Financial Results for First Half of Fiscal 2020 (From June 2020 to November 2020)

# 1-1. Overview of Consolidated Financial Results

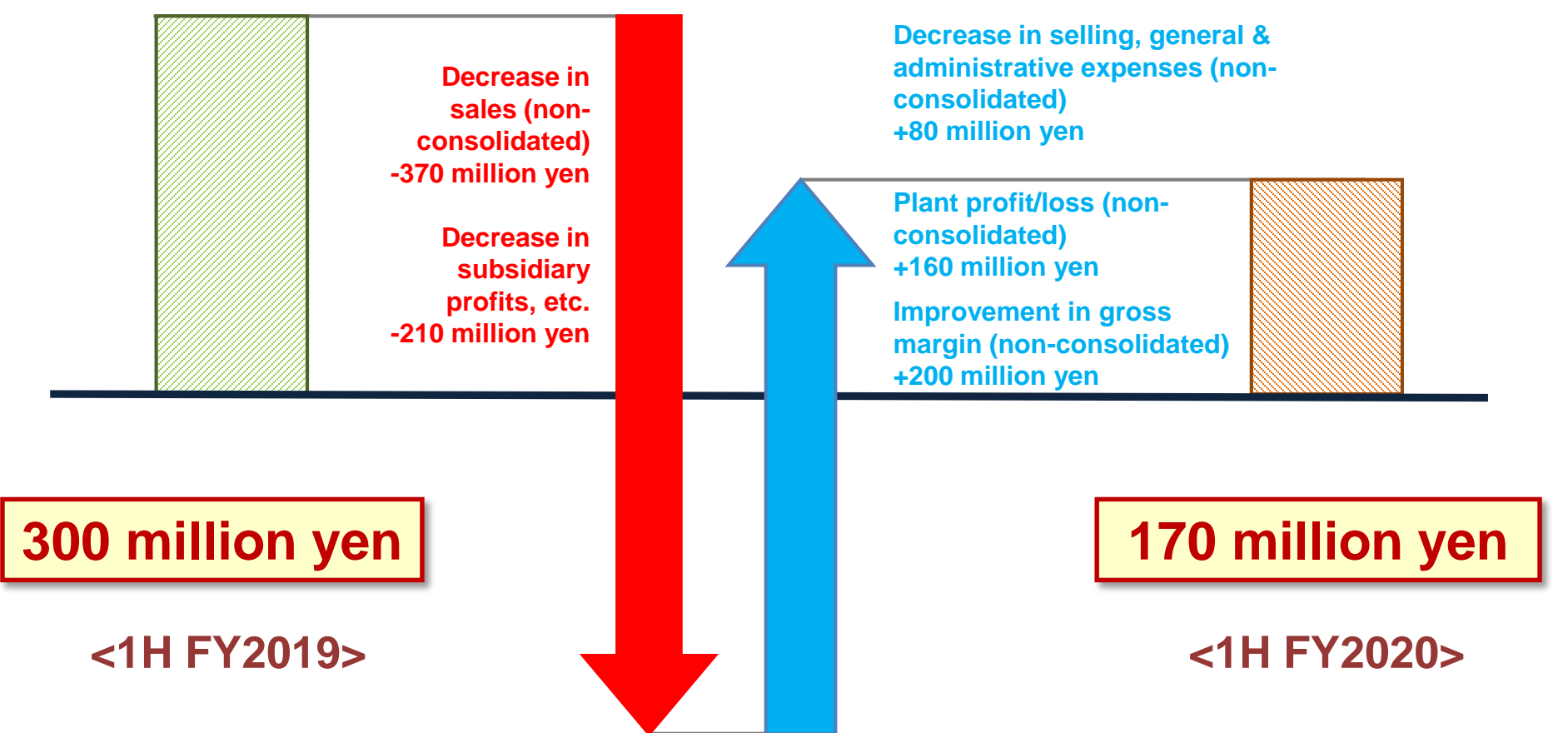
Although orders received and net sales decreased due to the impact of the novel coronavirus, the Company secured a certain level of operating income through considerable improvements in profitability.

Unit: 100 million yen

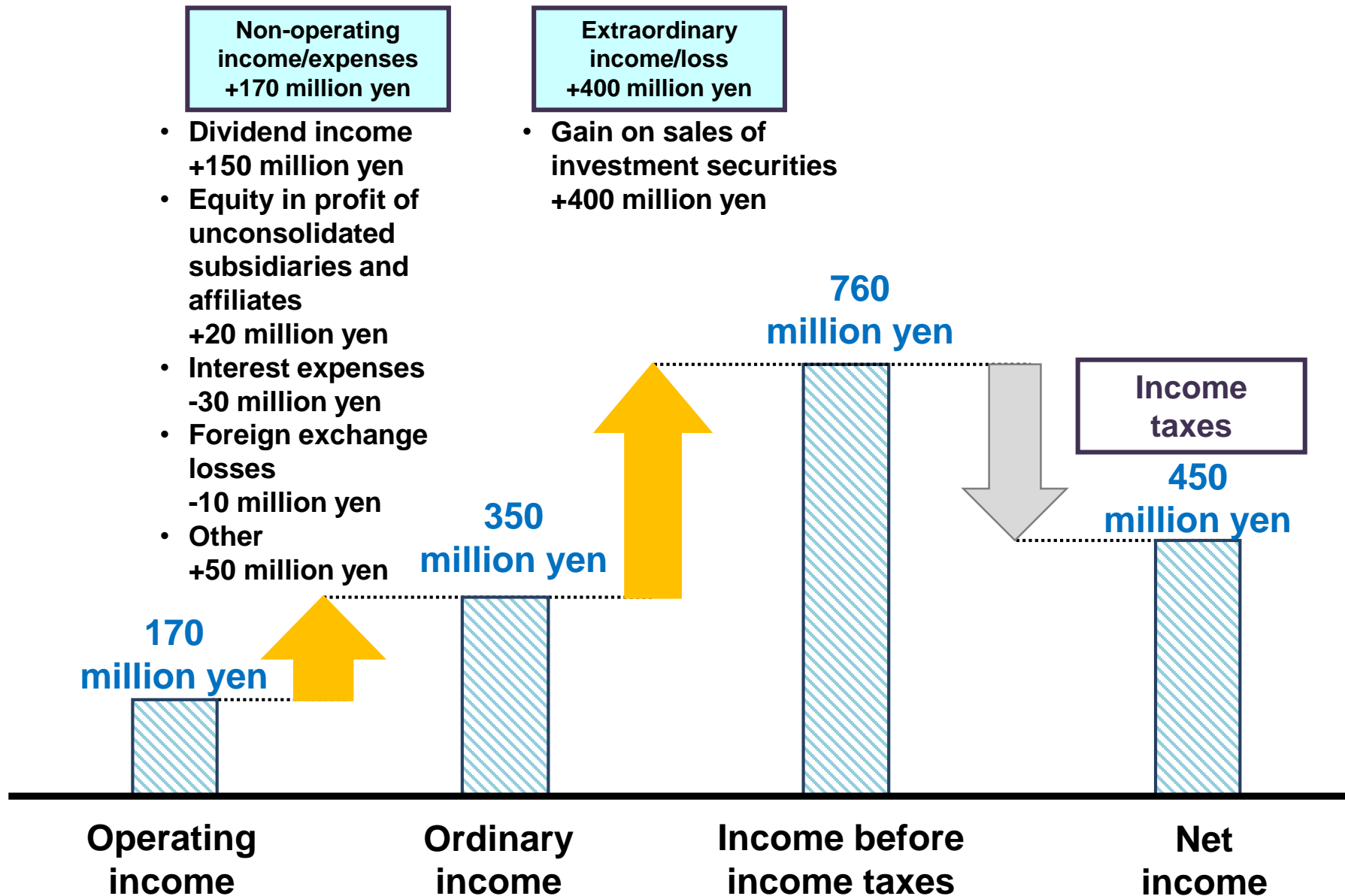
	1H FY2019	1H FY2020	YoY Change		Published value for 1H FY2020	Published value ratio	
				%			%
Net Sales	193.9	167.2	-26.7	-13.8%	175.0	-7.8	95.5%
Operating Income	3.0	1.7	-1.2	-41.3%	0.4	+1.3	425.0%
(%)	(1.5%)	(1.0%)	-0.5pt	—	(0.2%)	+0.8pt	—
Ordinary Income	3.8	3.5	-0.2	-6.7%	2.3	+1.2	152.2%
Net Income	4.7	4.5	-0.1	-4.1%	4.0	+0.5	112.5%
[Net income per share (yen)]	52.63	50.49	-2.14	—	44.73	+5.76	—
Orders received	203.4	143.9	-59.4	-29.2%	—	—	—
Ratio of overseas sales to net sales	20.8%	17.2%	-3.6pt	—			

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

Despite a decline in income due to lower net sales, the Company secured a certain level of income through drastic improvements in profitability and reduction of expenses.

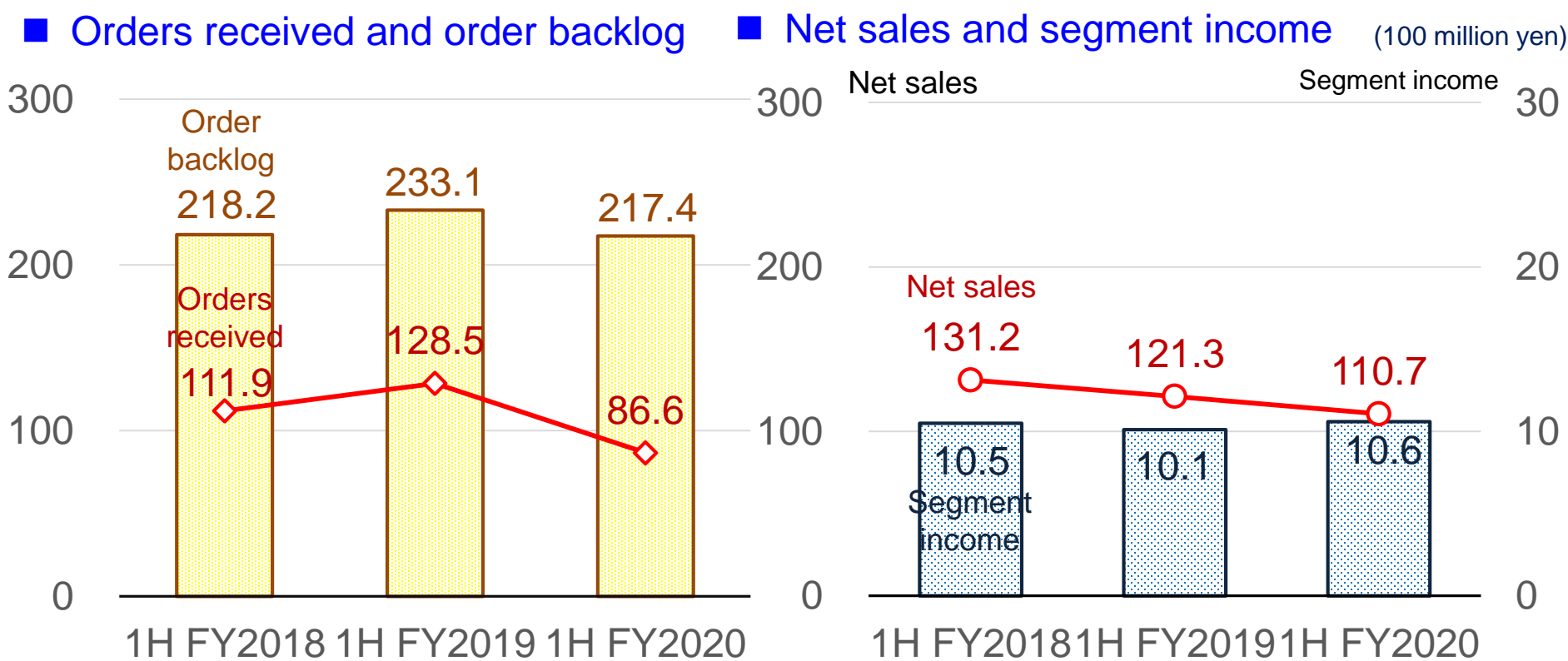


# 1-3. Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Loss



# 1-4. Segment Performance Transportation Systems

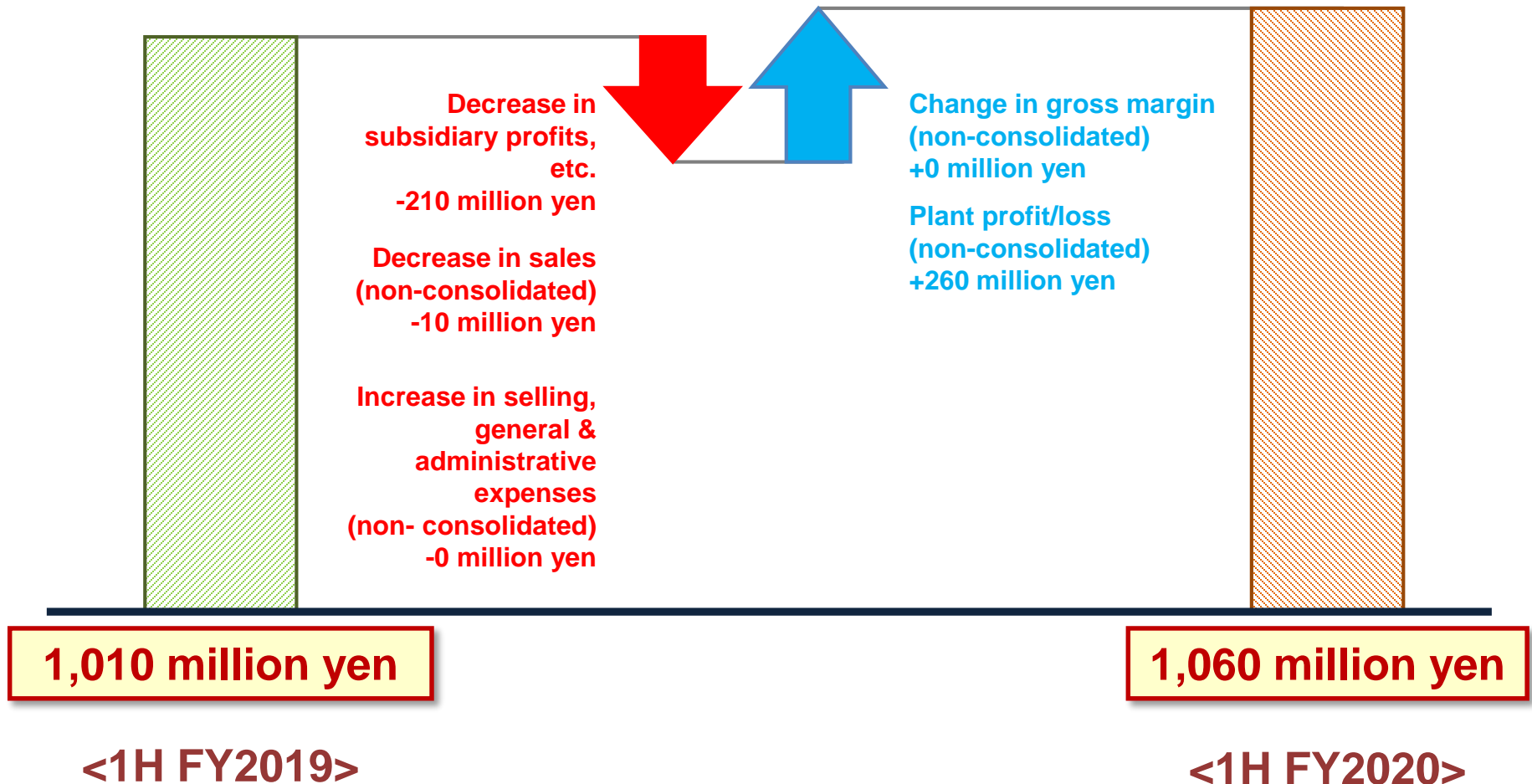
The Company managed to secure segment income that was comparable to the level of a year earlier despite fewer orders received and lower net sales.



- Orders received from JR increased, while those from private railway companies, China and overseas (excluding China) declined.
- Despite an increase in overseas (excluding China) net sales, as a whole, declined due to a fall in sales to JR, China, and of consolidated subsidiaries.
- The Company managed to secure segment income that was comparable to the level of a year earlier through reinforced manufacturing process control.

# 1-5. Segment Performance    Transportation Systems    Factors for Increase and Decrease in Income

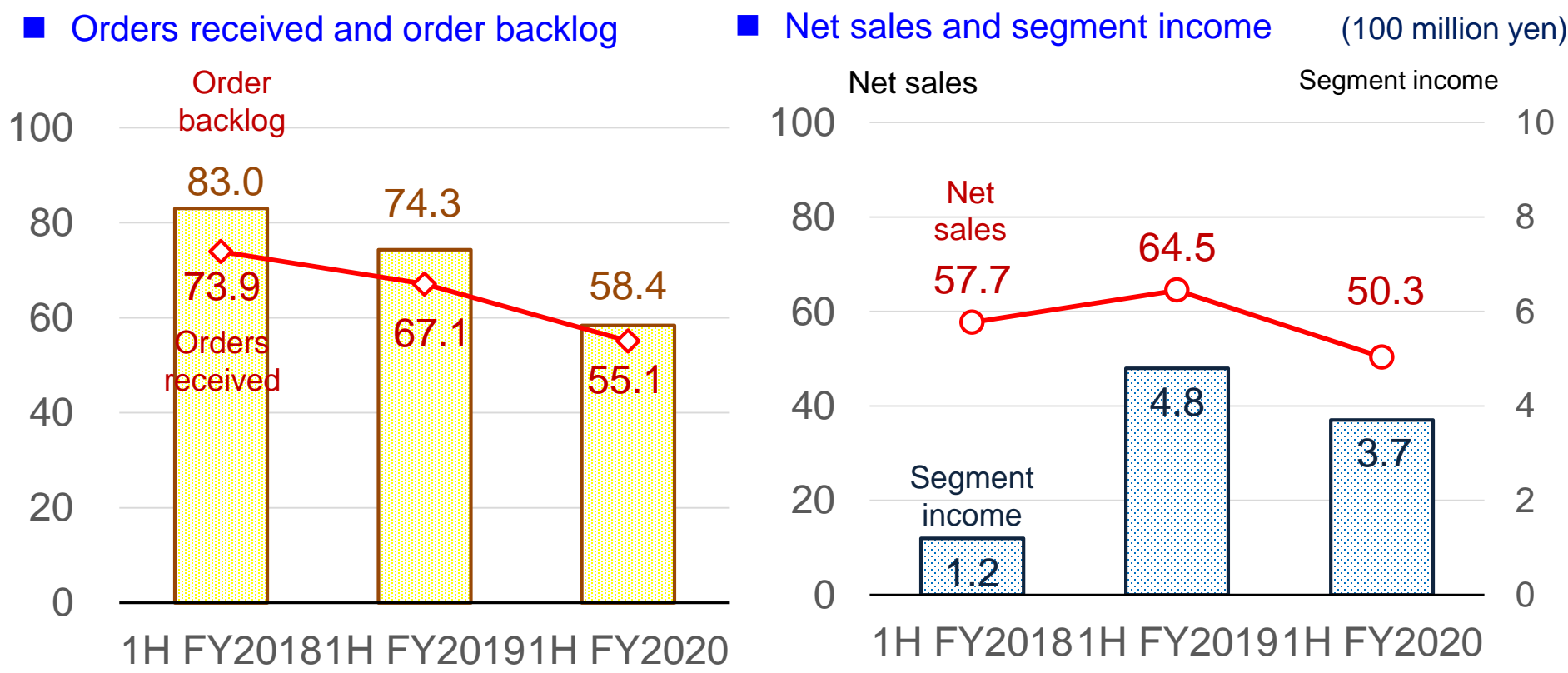
Although net sales declined mainly due to lower sales of consolidated subsidiaries, the Company managed to secure income that was comparable to the level of a year earlier by enhancing factory profitability through efforts such as reinforcing manufacturing process control.





# 1-6. Segment Performance Industrial Systems

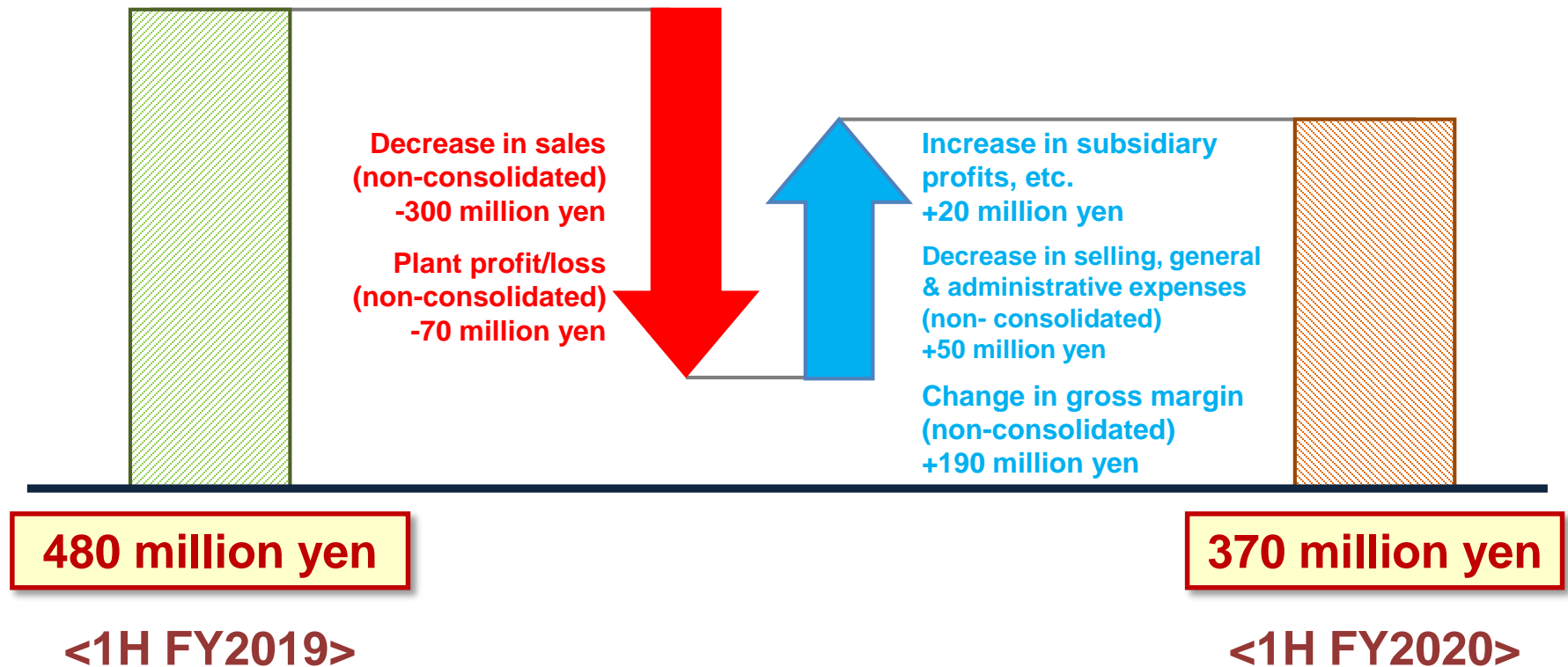
The Company managed to secure a certain level of segment income despite fewer orders received and lower net sales.



- Orders received fell mainly for testing equipment and processing equipment.
- Net sales decreased mainly due to a decrease in sales for testing equipment and power supplies.
- Segment income was secured by minimizing the impact of declining net sales through reinforcement of cost control and other steps.

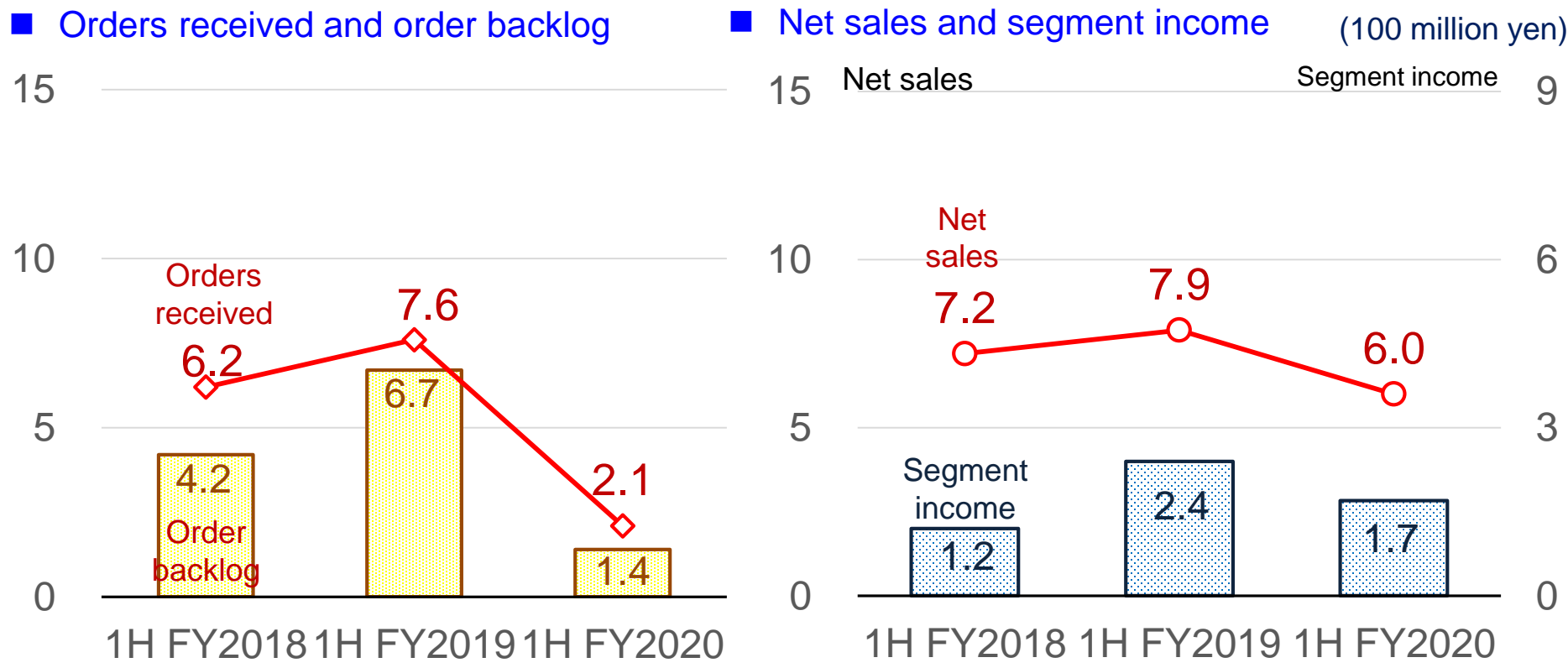
## 1-7. Segment Performance Industrial Systems Factors for Increase and Decrease in Income

Although income declined due to lower net sales, the Company secured a certain level of income through efforts to reinforce cost control and reduce expenses.



# 1-8. Segment Performance Information Equipment Systems

Net sales and income decreased due to a fall in large-scale projects as a reaction to big sales recorded in the previous fiscal year.



- Orders received decreased mainly due to a reactionary drop in demand for software upgrading generated by the consumption tax hike in the previous fiscal year.
- Net sales fell for the same reason as orders received.
- Segment income slipped due to lower net sales.

# 1-9. Consolidated Financial Position

Unit: 100 million yen

	May 31, 2020	November 30, 2020	Change	Remarks
<b>Total assets</b>	551.6	538.7	-12.8	
Current assets	262.8	273.2	+10.4	Cash and cash equivalents: +1,300 million yen
Fixed assets	288.8	265.4	-23.3	Investment securities: -2,000 million yen
<b>Total liabilities</b>	309.8	307.4	-2.3	
Of which, net interest-bearing debt	112.5	109.7	-2.8	
<b>Net assets</b>	241.8	231.3	-10.5	Unrealized holding gain/loss on available-for-sale securities: -1,200 million yen
Shareholders' equity ratio	43.8%	42.9%	-0.9pt	

## 2. Outlook for Financial Results for Fiscal Year Ending May 2021

## 2-1. Outlook for Financial Results for Fiscal Year Ending May 2021 (Consolidated)

**Orders received of 31.5 billion yen, net sales of 34 billion yen, and operating income of 250 million yen.**

Unit: 100 million yen

	FY ended May 2020 (Result)		FY ending May 2021		YoY Change Full year
	2Q	Full year	2Q (Result)	Full year (Forecast)	
Net Sales	193.9	390.7	167.2	340.0	-50.7
Operating Income (%)	3.0 (1.5%)	10.6 (2.7%)	1.7 (1.0%)	2.5 (0.7%)	-8.1
Ordinary Income	3.8	12.0	3.5	5.0	-7.0
Net Income [Net income per share (yen)]	4.7 52.63	10.8 120.98	4.5 50.49	7.0 78.28	-3.8 -42.70
Dividend per share (yen)		30.0		30.0	
Orders received	203.4	385.2	143.9	315.0	-70.2

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

Unit: 100 million yen

		Transportation Systems	Industrial Systems	Information Equipment Systems
FY ending May 2021 Forecast (Full year)	Net sales	223.5	108.0	8.5
	Segment income	22.0	6.5	2.5
	Orders received	196.0	113.0	6.0
YoY Change	Net sales	-19.1	-22.2	-9.2
	Segment income	-2.8	-3.5	-2.1
	Orders received	-61.1	+1.1	-10.1

### 3. Revision of Medium-Term Management Plan



### 3-1. Review of the First Two Years of the Medium-Term Management Plan

For the first two years of the Medium-Term Management Plan “Revitalize2020” (FY ended May 2019 through FY ended May 2020), the Company focused on improving profitability, thereby achieving intended results, including hitting profit targets and improving ROE.

Unit: 100 million yen

	FY ended May 2019	FY ended May 2020	
	Result	Plan	Result
Net Sales	411.7	430.0	390.7
Operating Income	5.5	9.0	10.6
(Operating margin ratio)	(1.4%)	(2.1%)	(2.7%)
Ordinary Income	4.9	11.0	12.0
Net Income	6.9	7.0	10.8
Investment gain on equity method	0.1	1.2	-0.3
ROE	2.7%	3.3%	4.4%
Payout ratio	39.9%	30.0%	24.8%

#### <Net sales by segment>

Transportation Systems	272.3	290.0	242.6
Industrial Systems	123.3	130.0	130.2
Information Equipment Systems	15.8	10.0	17.7

## 3-2. Revision of Medium-Term Management Plan

The latter two years of the Medium-Term Management Plan (FY ending May 2021 through FY ending May 2022) are renamed **“Revitalize2022”** and are positioned as **“a period for accumulating earning power and returning to a growth path.”**

### ◆ Main objective

Although the latter two years were positioned as “a period for creating growth,” the Company has revised its goals and approach amid ongoing uncertainty due to the global spread of the novel coronavirus infection.

### ◆ Changes in the business environment

- There is a sense of uncertainty due to the impact of the novel coronavirus.
- Signs of a recovery in capital investment due to the effects of various government policies and a pickup in economies.
- Overseas: Signs of a recovery in demand for new construction of high-speed railway carriages and maintenance of urban transport systems in China
- Japan: Shift to the full-scale effort to realize a decarbonized society.

Advance of digital transformation (DX)

⇒ The Company takes this trend as an opportunity to expand its business areas, which are deeply involved in infrastructure development and global environmental conservation.

### ◆ Positioning of the latter two years

As **“a period for accumulating earning power and returning to a growth path.”**

Establish a foundation to achieve the initial target of “Securing net sales of over 47 billion yen, operating income of 2 billion yen, and ROE of 5%” within the first two years of the next medium-term management plan.

### 3-3. Medium-Term Management Plan Fundamental Policies and Major Actions

The Company will continue the current seven fundamental policies but has just revised major actions by taking responses to changes in the business environment into account.

\*Underlined parts are revised.

#### 1. Expanding overseas business

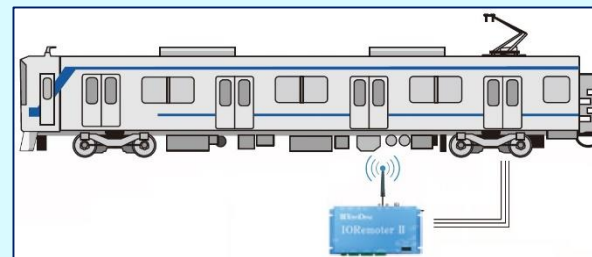
- i. Review our business strategies in accordance with the economic and technological development conditions of the countries into which we advance.
- ii. Expand new industrial business in Southeast Asia.
- iii. Strategic participation in new urban transport projects.
- iv. Roll out industrial motors into the Chinese market.



Manufacturing base of industrial motors in China “Chinalco Toyo”

#### 2. Expanding our business areas using our core technologies

- i. Promote commercialization taking into consideration business potential and market trends.
- ii. Promote the application of IoT technology to the maintenance field.
- iii. Expand business areas through business alliances and M&As.



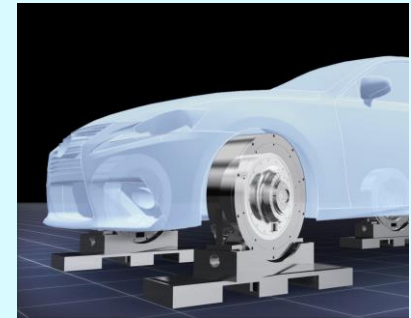
Utilize our IoT terminals for maintenance of electric equipment of railway carriages

## 3-3. Medium-Term Management Plan Fundamental Policies and Major Actions

\*Underlined parts are revised.

### 3. Promoting development of technology in advance of market needs

- i. Develop products that contribute to the realization of a decarbonized society and bring them to market at an early stage.
- ii. Promote development of test equipment that contributes to the electrification and autonomous driving of automobiles.
- iii. Commercialize wireless power supply technology at an early stage.
- iv. Establish new production technologies for key components (products).



A test machine for development of automobiles “in-wheel-well dynamo” is under development.

### 4. Establishing a stable business earnings structure

- i. Improve business profitability with operating income in mind.
- ii. Reduce fixed costs through the united efforts of administration, sales and plants.
- iii. Promote group management that focuses on our “earning power.”
  - a) Promote “selection and concentration” throughout the group.
  - b) Establish integrated operations and plant systems within the group.

### 3-3. Medium-Term Management Plan Fundamental Policies and Major Actions

\*Underlined parts are revised.

#### 5. Developing foundations for expanding our production capacity

- i. Reinforce process control by maximizing the functions of the basic systems and establish optimum production lines.
- ii. Expand production capacity by re-establishing production lines (Yokohama Plant).
- iii. Explore production methods that incorporate energy efficiency.
- iv. Re-establish supply chains.
- v. Establish a business continuity plan (BCP) that can respond to the pandemic.

#### 6. Developing human resources to play important roles in the future

- i. Promote personnel rotation to revitalize the organization.
- ii. Develop the next generation of executives and overseas employees.
- iii. Early stage development of young managers who are key persons of the organization.

#### 7. Promoting ESG

- i. Establish sustainability policy and roadmap.
- ii. Promote working-style reforms.
- iii. Enhance corporate governance.



## 3-4. Medium-Term Management Plan Numerical Targets (Consolidated)

**The period up to the end of the fiscal year ending May 2022 was revised to “a period for accumulating earning power and returning to a growth path.”**

Establish a foundation to achieve the initial target of “Securing net sales of over 47 billion yen, operating income of 2 billion yen, and ROE of 5%” within the first two years of the next medium-term management plan.

Unit: 100 million yen

	FY ended May 2018		FY ended May 2019		FY ended May 2020		FY ending May 2022
	Result		Result		Result		Revised plan
Net Sales	425.2		411.7		390.7		360
Operating Income	3.6		5.5		10.6		6
(Operating margin ratio)	(0.9%)		(1.4%)		(2.7%)		(1.7%)
Ordinary Income	5.1		4.9		12.0		8
Net Income	6.9		6.9		10.8		7
Investment gain on equity method	1.1		0.1		-0.3		1
ROE	2.7%		2.7%		4.4%		3.0%
Payout ratio	68.2%		39.9%		24.8%		30.0%

### <Net sales by segment>

Transportation Systems	279.4	272.3	242.6	220
Industrial Systems	117.6	123.3	130.2	130
Information Equipment Systems	28.0	15.8	17.7	10

\* In the fiscal year ended May 2018, we paid a commemorative dividend of 20 yen to celebrate the 100 year anniversary of our founding in addition to the ordinary dividend of 30 yen.

## 4. Topics

## 4-1. Sales Activity

### Promoting sales activities that utilize our website

#### ◆ IoT & 5G Solutions Expo (October 2020)

The Company opened a booth at the Expo, held at Makuhari Messe, and in parallel, started a dedicated page on the Company's website.

By doing this, we were able to show our remote monitoring IoT terminals to customers who did not visit our booth.



#### ◆ Online preview showing of transportation products (December 2020)

The Company held a preview showing of new products for customers in our website.

About 15 products were introduced through interviews with engineers and promotion videos.

We will analyze the results of accesses to the website by customers to held online sales meetings about products that interested them.





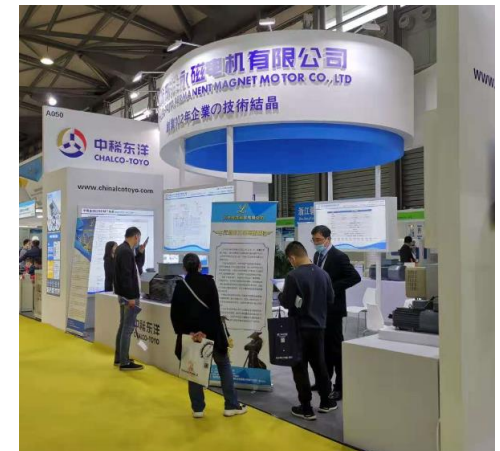
## 4-2. Overseas Operations

### Sales activities of Chinalco Toyo (Changshu, Jiangsu Province, China)

Chinalco Toyo exhibited at the International Motor Exhibition in Shanghai in November 2020.

Permanent magnet synchronous motors manufactured by Chinalco Toyo were displayed there, and sales activities were conducted to prospective customers (manufacturers of fans, pumps, compressors, mechanical products, etc.), and actions were taken to find suppliers.

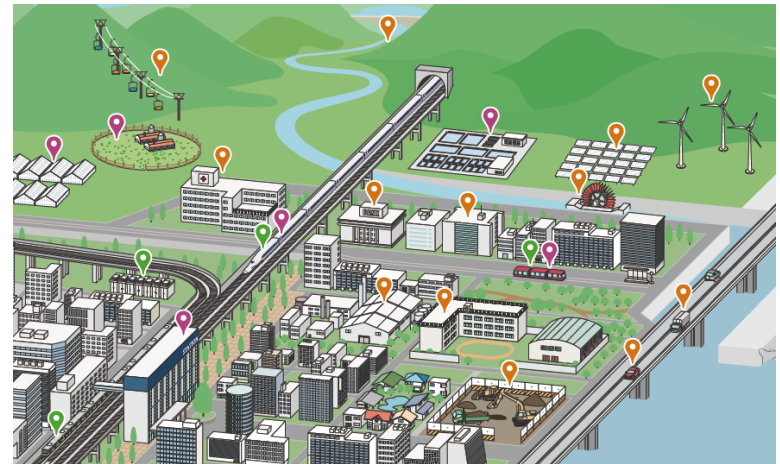
- Exhibition name: MOTOR CHINA 2020
- Exhibition hall: Shanghai New International Expo Center
- Exhibition period: From Monday, November 16, 2020 to Wednesday, November 18, 2020
- Exhibited product: Permanent magnet synchronous motor
- The Company advertised the roll-out of its highly efficient permanent magnet synchronous motors into the Chinese market.




## 4-3. ESG/SDGs Initiatives

### The Company's products contribute to the realization of a decarbonized society and its sustainable development.

- The Company's products are widely adopted by railway operators, automotive manufacturers, and for plant facilities as energy-saving products, and contribute to reducing environmental burden and establishing and developing social infrastructure.
- The Company contributes to the spread of renewable energy with its product groups for small hydroelectric power generation, wave power generation, biomass power generation, and grid interconnection technologies, as well as remote monitoring systems.
- The Company supports the realization of a decarbonized society with its non-contact power supply technology.
- Efforts are made particularly on penetration of energy-saving products toward achieving sustainable development goals 7 and 13.  
“SDG 7: Affordable and clean energy”  
“SDG 13: Climate action”



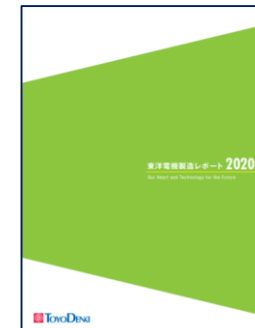
<  The Company's products are widely used in society. >

## 4-3. ESG/SDGs Initiatives

### Specific initiatives

- ◆ Held a donated course at Yokohama City University  
The donated course was on the theme of the “Future of Eco-Cities Pioneered by Green Purchasing and SDGs.”  
Under the title of “The history of railways and railway ecology,” this course introduced the features of electric trains with excellent environmental performance by linking them with the Company's business activities and SDGs.
- ◆ Conducted clean-up activities around the plant.  
Employees of the Shiga Ryuo Plant participated in a river beautification campaign organized by a river beautification association *Ryuo Seiryu Kai*. Conducted river cleanup activities in cooperation with local governments and neighboring companies.
- ◆ Published Toyo Denki Seizo Report 2020  
Issued an integrated report “Toyo Denki Seizo Report 2020.”  
Showed the Company's efforts in SDGs to the public in addition to its business report, ESG report, and financial report.

[https://www.toyodenki.co.jp/esg\\_csr/report.php](https://www.toyodenki.co.jp/esg_csr/report.php)



**Thank you for your interest.**

**<https://www.toyodenki.co.jp>**

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