
Financial Results Briefing for the Six Months Ended November 30, 2022

January 13, 2023
Toyo Denki Seizo K.K.

Program

Briefing on Financial Results: 30 minutes

1. Overview of Financial Results for the Six Months Ended November 30, 2022
2. Financial Results Forecast for the Fiscal Year Ending May 31, 2023
3. Medium-Term Management Plan

Q&A: 30 minutes

1. Overview of Financial Results for the
Six Months Ended November 30, 2022
(from June 1, 2022 to November 30, 2022)

1-1. Overview of Consolidated Financial Results

Net sales fell from the same period of the previous year and operating loss decreased due to factors such as difficulties in procuring parts and materials and delivery delays, although orders received increased significantly and the business is on a recovery trend.

100 million yen

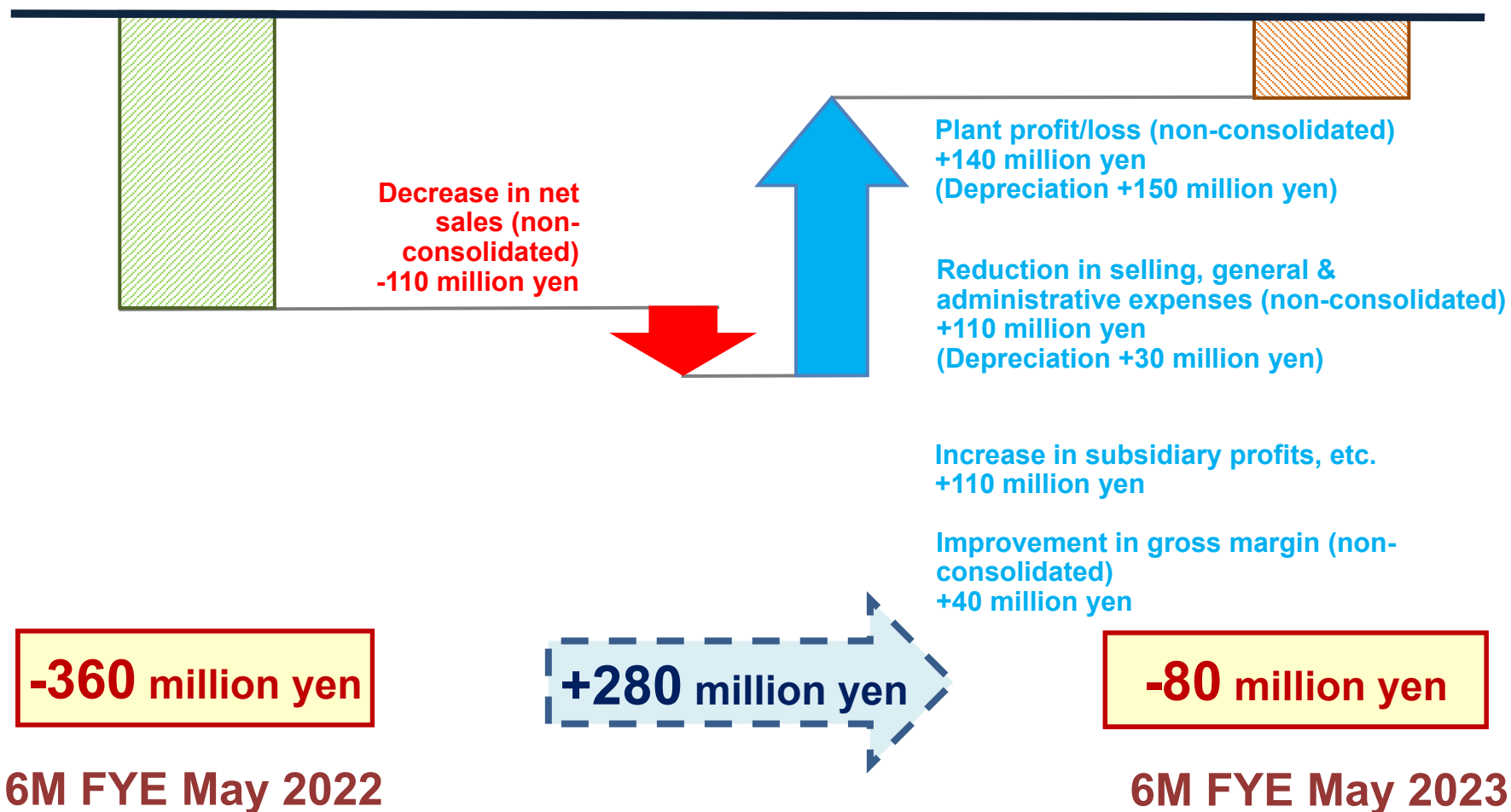
	6M FYE May 2022	6M FYE May 2023	YoY Change		6M FYE May 2023 Forecast	Changes vs. Forecast	
				%			%
Orders received	142.1	170.7	+ 28.5	+20.1%	163.0	+ 7.7	104.7%
Net sales	148.0	138.2	- 9.8	- 6.6%	160.0	- 21.8	86.4%
Operating profit	- 3.6	- 0.8	+ 2.8	—	- 0.8	+ 0.0	100.0%
Ordinary profit	- 0.8	1.9	+ 2.8	—	1.6	+ 0.3	118.8%
Profit	1.8	0.2	- 1.6	- 85.7%	3.0	- 2.8	6.7%
[Profit per share (yen)]	20.82	2.98	- 17.84	—	33.56	- 30.58	—
Ratio of overseas sales to net sales	14.9%	18.0%	+ 3.1pt	—			

<Reference> Review of Business Environment for the six months ended November 30, 2022

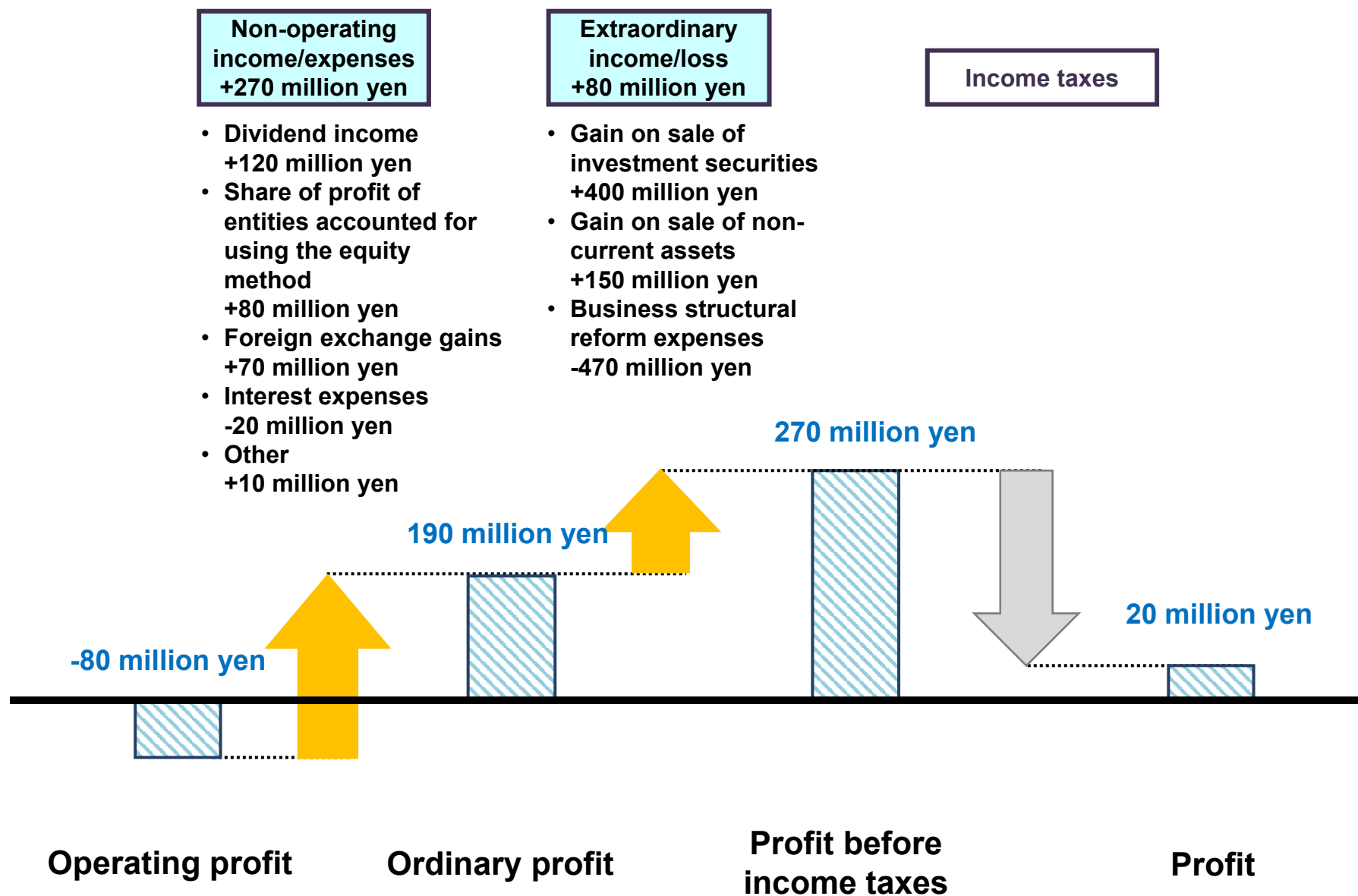
	Business Environment
Transportation Business	<Domestic> Although the number of railway passengers is gradually recovering, there is no prospect that the number will recover to the pre-pandemic level, partly due to changes in behavior patterns. The recovery in capital investment by customers has been slow.
	<Overseas> In China, due to the behavior restrictions imposed by the zero-COVID policy, the turnout is below pre-pandemic levels and the economic recovery is not robust.
Industry Business	<Domestic> Restrictions on face-to-face sales activities have been eased, and capital investment for plant production in many industries continues to recover. However, some customers are reconsidering their capital investment plans due to a shortage of materials.
	<Overseas> Although the economies of many countries are recovering moderately, the future remains uncertain due to geopolitical risks, rising raw material prices, and shortages of parts.

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

Despite the impact of the decline in net sales, the deficit was reduced due to improved profitability and reduced depreciation burden from the impairment of non-current assets in the Industry Business in the previous fiscal year.

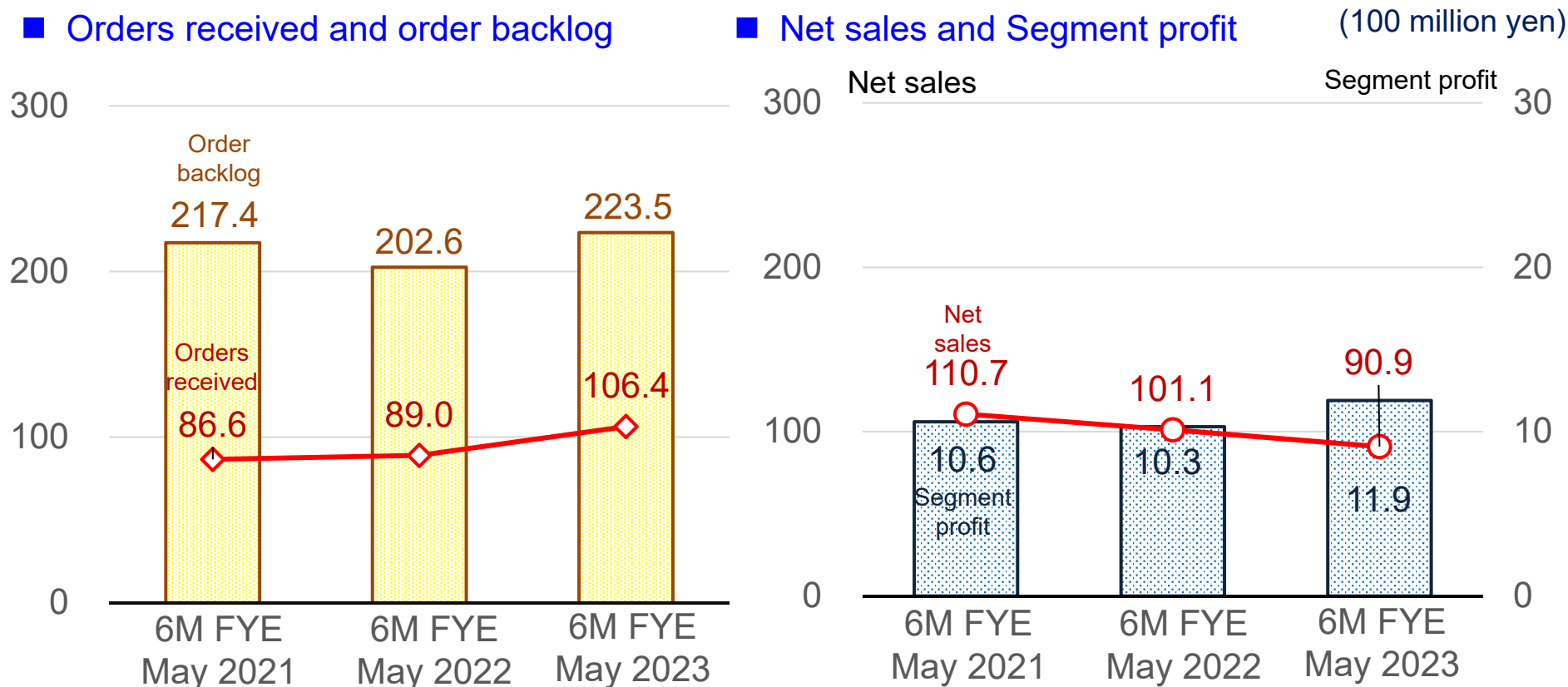


1-3. Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Loss



1-4. Segment Performance: Transportation Business

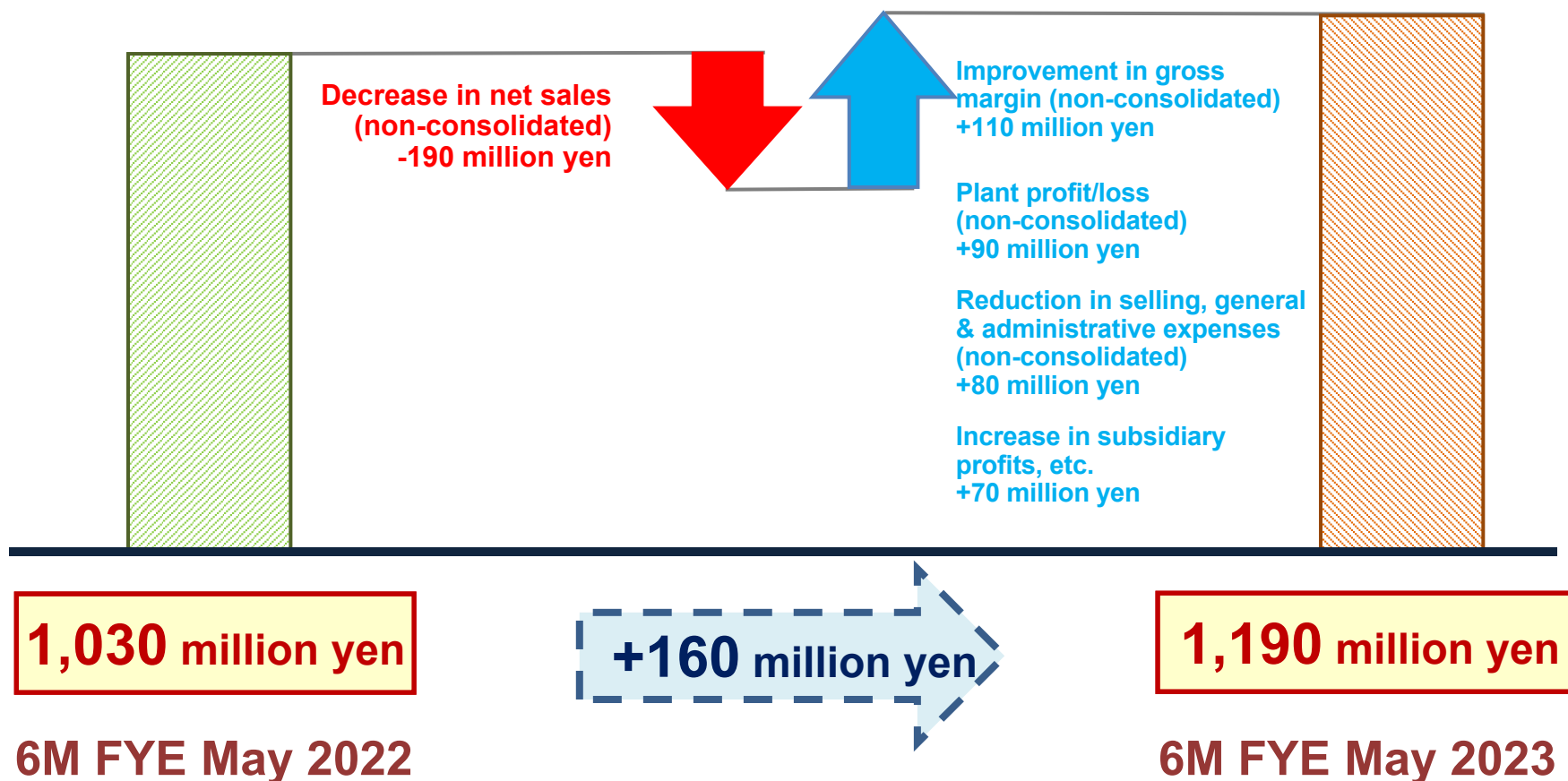
Orders received increased. Segment profit increased by improving profitability despite lower net sales



- Orders received from JR, private railway companies and China increased.
- Net sales increased mainly to JR and China, but declined due to a decrease in sales to private railway companies.
- Segment profit increased by improving profitability.

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

Despite the impact of the decline in net sales, segment profit increased thanks to efforts to improve gross margins and reduce expenses



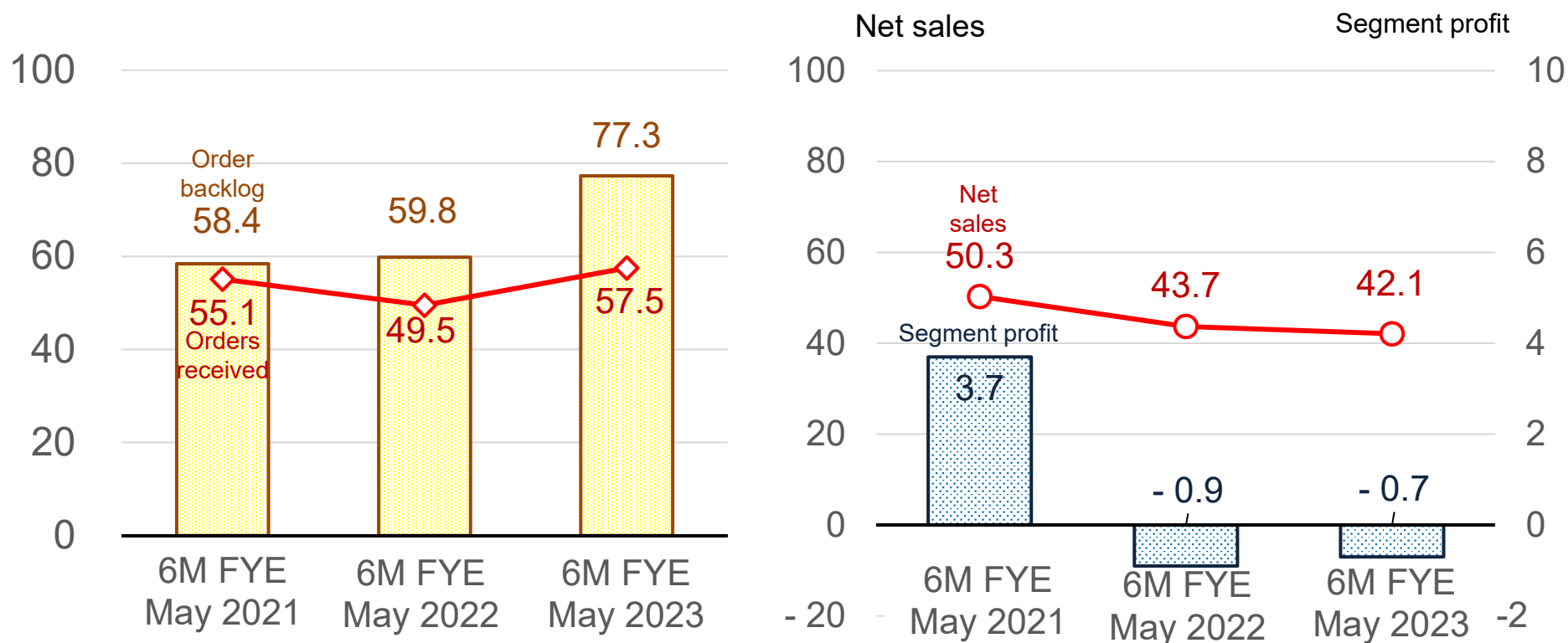
1-6. Segment Performance: Industry Business

Orders received increased. Despite lower net sales, decrease in deficit due to impairment effect in previous fiscal year

■ Orders received and order backlog

■ Net sales and segment profit

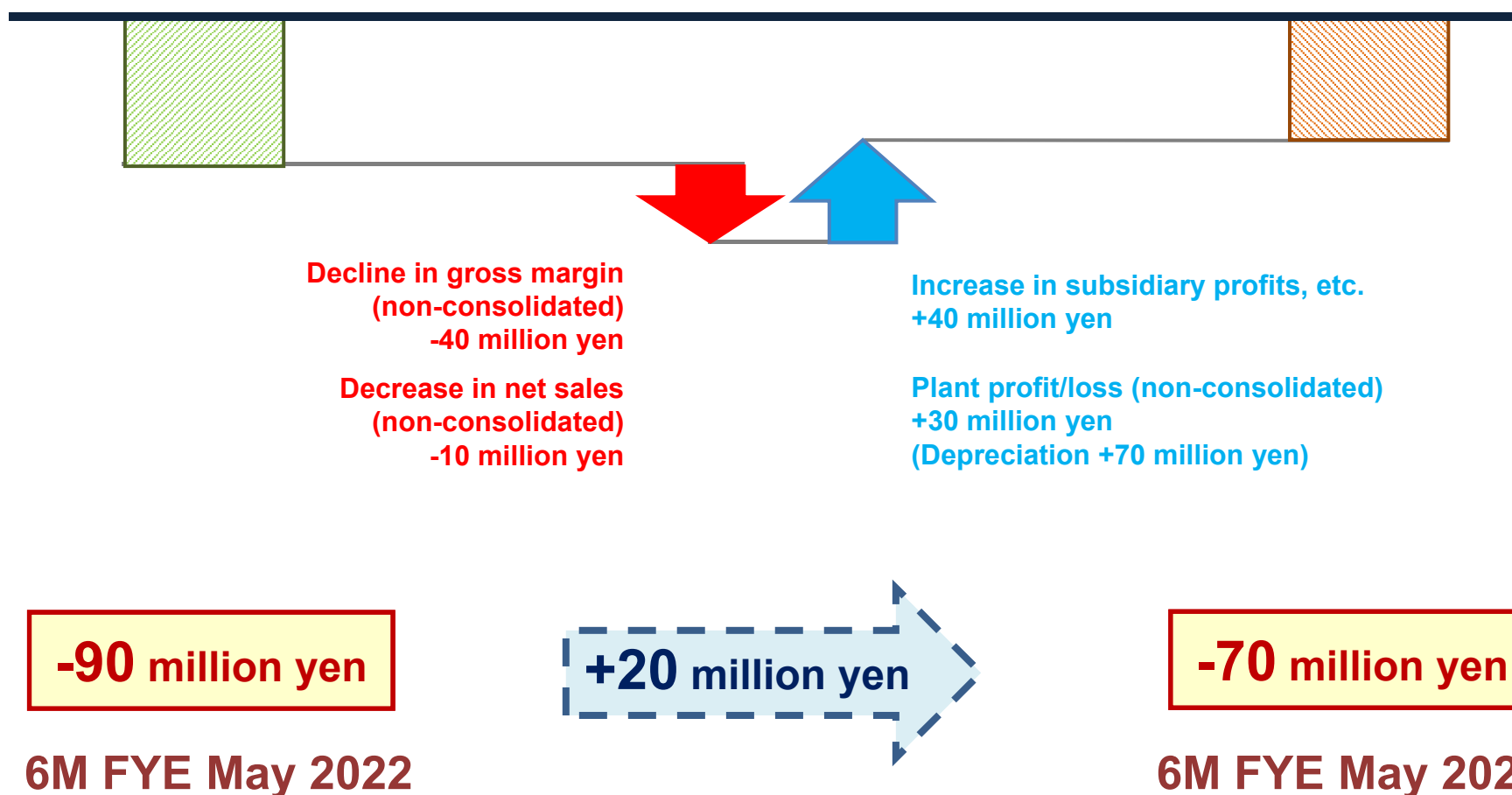
(100 million yen)



- Orders received for processing equipment and testing equipment increased.
- Although net sales for processing equipment increased, segment profit fell due to a decrease in net sales for power supplies.
- Segment profit was down due to impairment effect in the previous fiscal year.

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

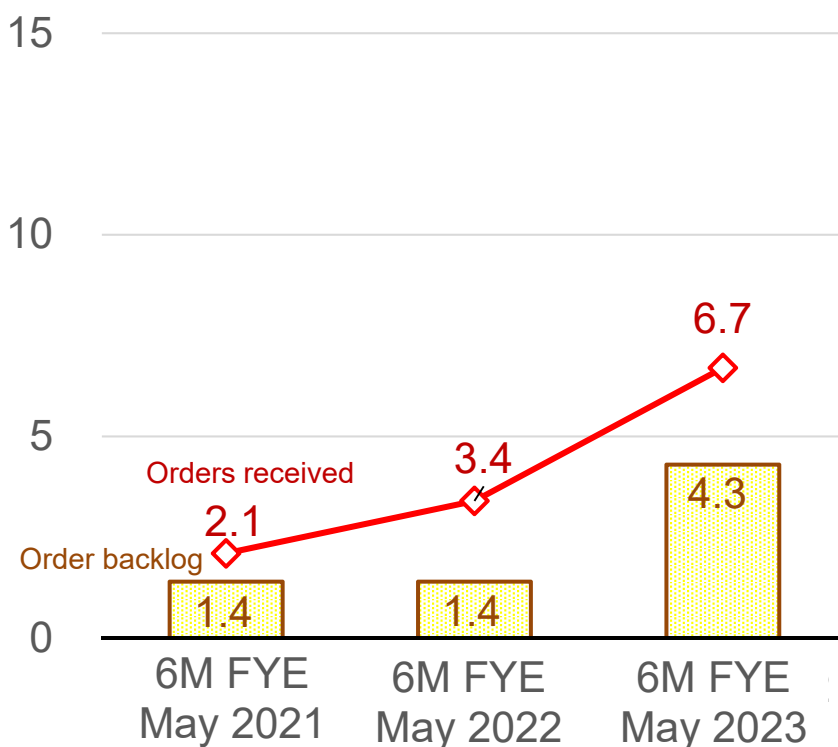
Despite the impact of material procurement difficulties, decrease in deficit due to impairment effect in previous fiscal year



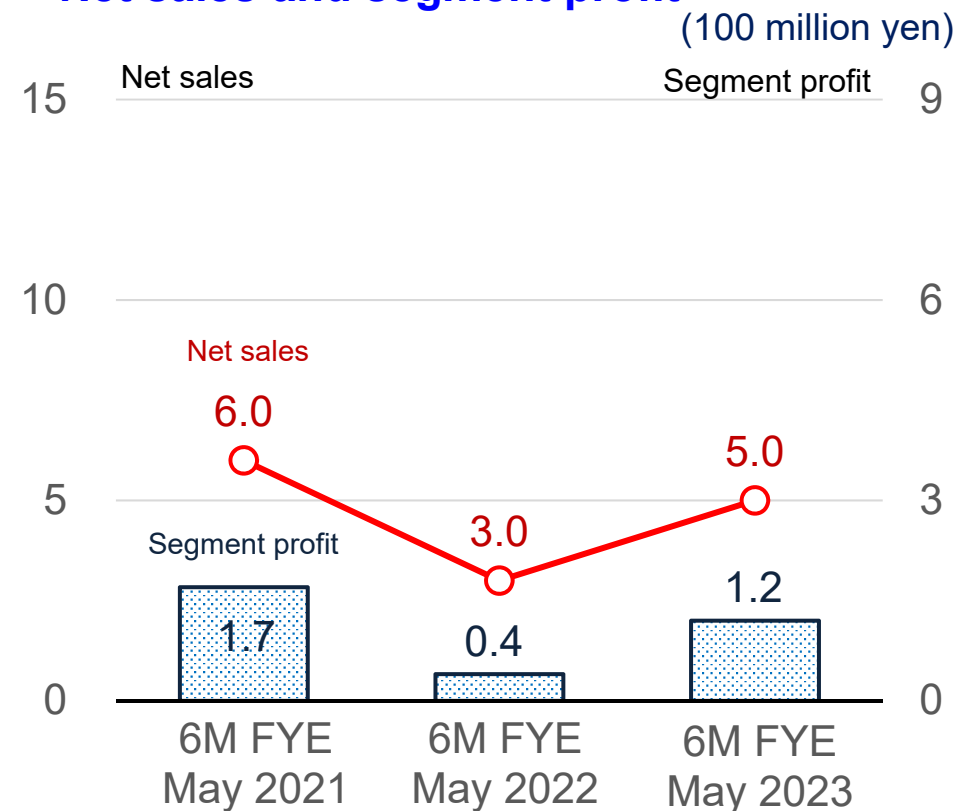
1-8. Segment Performance: ICT Solution Business

Higher orders received and increased net sales and profit due to an increase in software improvements for station equipment

■ Orders received and order backlog



■ Net sales and segment profit



- Orders received and net sales increased due to software improvements for station equipment.
- Segment profit increased due to a recovery in net sales.

1-9. Consolidated financial position

100 million yen

	May 31, 2022	November 30, 2022	Change	Remarks
Total assets	469.1	483.1	+ 13.9	
Current assets	241.8	258.1	+ 16.2	Trade receivables: +1,200 million yen
Non-current assets	227.2	224.9	- 2.2	Sale of corporate housing: -110 million yen
Total liabilities	249.0	257.2	+ 8.2	
Of which, net interest-bearing debt	73.0	86.0	+ 12.9	
Net assets	220.1	225.8	+ 5.7	Valuation difference on available-for-sale securities: +600 million yen
<i>Equity-to-asset ratio</i>	<i>46.9%</i>	<i>46.7%</i>	<i>- 0.2pt</i>	

2. Financial Results Forecast for the Fiscal Year Ending May 31, 2023

2-1. Outlook for Financial Results for the Fiscal Year Ending May 31, 2023 (Consolidated)

We revised forecasts: orders received of 34.6 billion yen, net sales of 34.0 billion yen, and operating profit of 450 million yen.

100 million yen

	FYE May 2022 (Result)		FYE May 2023		YoY Change Full year
	2Q	Full year	2Q (Result)	Full year (Forecast)	
Orders received	142.1	304.4	170.7	346.0	+41.5
Net sales	148.0	301.5	138.2	340.0	+38.4
Operating profit (%)	- 3.6 (— %)	1.7 (0.6%)	- 0.8 (— %)	4.5 (1.3%)	+2.7 (+0.7pt)
Ordinary profit	- 0.8	7.6	1.9	7.0	- 0.6
Profit [Profit per share (yen)]	1.8 20.82	- 9.3 - 104.02	0.2 2.98	8.0 89.48	+17.3 +193.50
Dividend per share (yen)		30.0		30.0	

(Note) Revisions to the financial results forecast most recently announced: None

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

100 million yen

		Transportation Business	Industry Business	ICT Solution Business
FYE May 2023 (Forecast)	Orders received	208.0	124.0	14.0
	Net sales	210.0	118.0	12.0
	Segment profit	22.0	9.0	2.0
YoY Change	Orders received	+ 20.0	+ 17.2	+ 4.6
	Net sales	+ 15.5	+ 19.0	+ 4.1
	Segment profit	+ 0.1	+ 4.3	+ 0.6

3. Medium-Term Management Plan

3-1. Medium-Term Management Plan

Priority Initiatives for Structural Reform in the First Year of the Medium-Term Management Plan (from fiscal year ending May 2023 to fiscal year ending May 2026)

The following initiatives are being focused on. Numerical targets for the medium-term management plan for the fiscal year ending May 2026 will be presented in July 2023 based on the initiatives made over the past year.

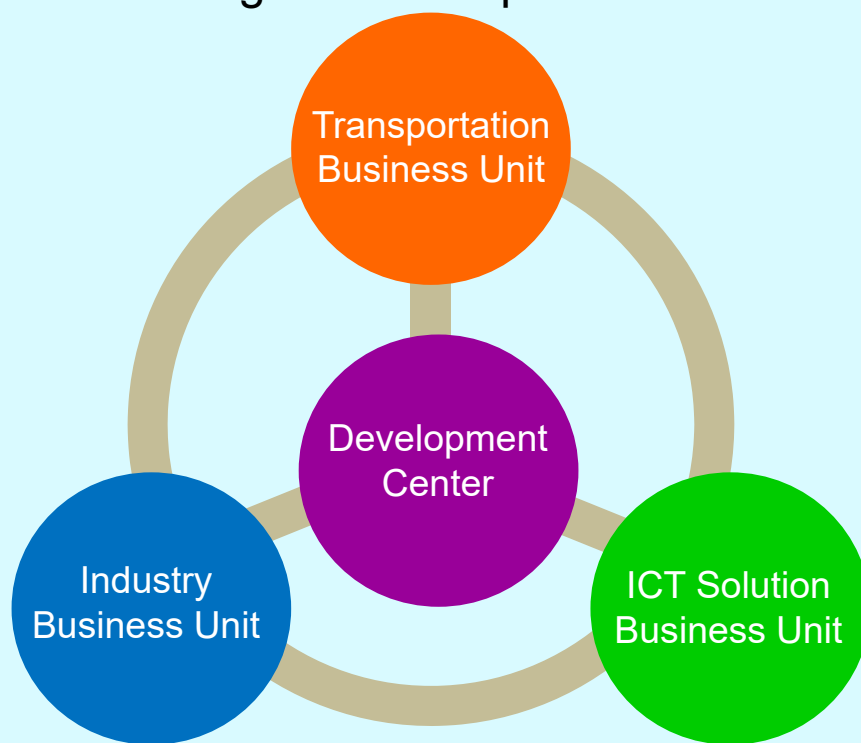
1	Initiatives to expand new businesses and products	<ul style="list-style-type: none">① Enhancement and acceleration of development of company-wide new business areas with a development center as its core (Creation of technologies and products and discovery of new business fields that contribute to a decarbonized and sustainable society)② Expansion of business area from railway station operating equipment to overall ICT through the ICT Solution Business Department (Establishment of the Company's unique ICT business field by merging power electronics with ICT)
2	Thorough improvement in earnings structure of existing businesses	<ul style="list-style-type: none">① Radical strengthening of profitability with plants and marketing in unison from both aspects of improving production efficiency and securing appropriate sales prices② Further strengthening of profit-oriented operation in existing businesses to increase investments in R&D and human resources
3	Improvement in asset efficiency with awareness of capital cost	<ul style="list-style-type: none">① Continued curtailment of cross-shareholdings and idle assets② Verification of capital efficiency by business segment and review of reallocation of management resources

3-2. Priority initiatives for structural reform in Medium-Term Management Plan

Progress of priority initiatives for structural reform (six months ended November 30, 2022)

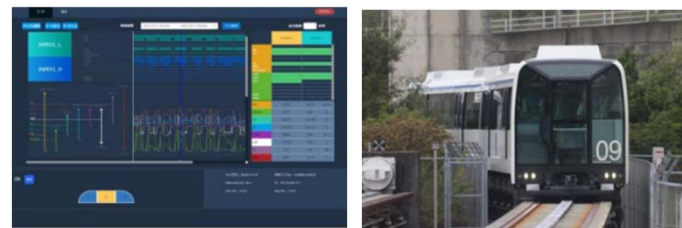
(1) Initiatives to expand new businesses and products

In June 2022, the newly established Development Center and the newly reorganized ICT Solution Business Unit took the lead in strengthening and accelerating the development of new business areas across the entire company.



<Examples of initiatives>

- ◆ Real-time state monitoring system for railway



- ◆ Cashless payment terminal solution
- ◆ Evaluation facility compliant with ADAS (Automated driving assistance systems)
- ◆ Power generation system using renewable energy

3-2. Priority initiatives for structural reform in Medium-Term Management Plan

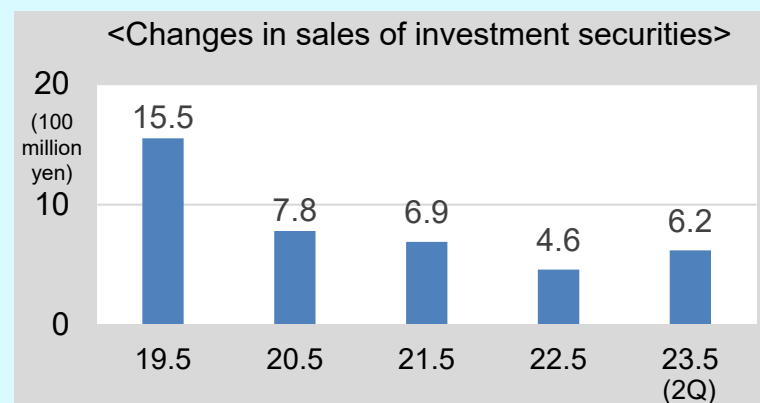
Progress of priority initiatives for structural reform (six months ended November 30, 2022)

(2) Thorough improvement in earnings structure of existing businesses

- ◆ Initiated initiatives aimed at strengthening profitability at plants and in sales.
- ◆ In a business environment where raw material and resource prices are skyrocketing, individual projects have achieved results, but company-wide efforts are under way to optimize sales prices, and the effects are expected in the future.
- ◆ Recorded business structural reform expenses as part of structural reforms in light of changes in the business environment.

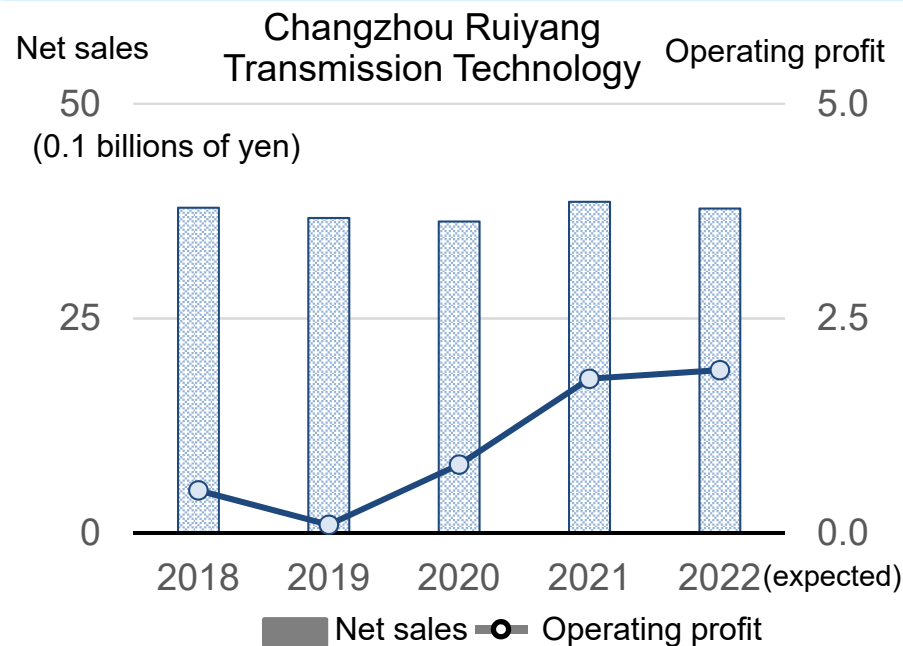
(3) Improvement in asset efficiency with awareness of capital cost

- ◆ Continue to sell investment securities.
- ◆ We also sold idle real estate for 260 million yen this fiscal year.



3-3. Topics (expansion into China of transportation business)

Our joint venture company in China, which mainly provides maintenance services, continued to generate strong financial results



- Regarding drive gear units, maintenance service has expanded in addition to manufacturing of the units for railway vehicles of new and existing subway lines. New floor space for maintenance is added.



- The demand for maintenance of the Beijing subway has arrived in earnest, and both net sales and profits are increasing.
- In addition to our electrical products, we expanded the use of electrical products made by other manufacturers.

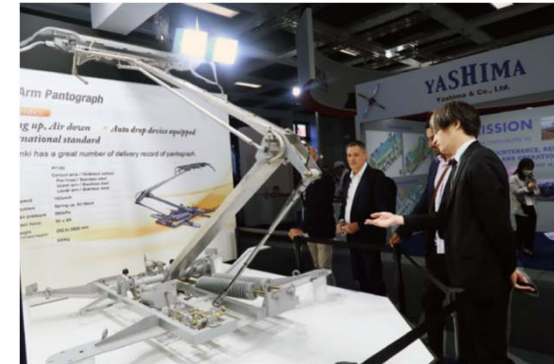


3-3. Topics (sales expansion using exhibitions)

Active participation in exhibitions at each division to expand sales of new products

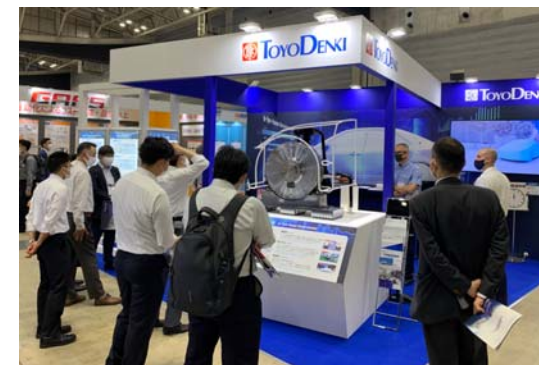
◆ Transport Business Unit exhibits at “InnoTrans 2022”

- Pantographs developed for overseas markets were exhibited at “InnoTrans 2022,” which was held for the first time in four years.
- We receive a lot of inquiries about installing it on commuter trains and high-speed trains in regions such as the United States, India and the Middle East.



◆ Industry Business Unit exhibits at "AUTOMOTIVE ENGINEERING EXPOSITION 2022 YOKOHAMA"

- An in-tire house dynamo was exhibited at the "AUTOMOTIVE ENGINEERING EXPOSITION 2022 YOKOHAMA" held in Yokohama for the first time in 3 years.
- Due to the effects of the exhibition, we have received applications from many completed car manufacturers to check the actual machine, and we are conducting a tour.



3-3. Topics (initiatives for sustainability)

Sustainability Policy (Basic Policy)

The Group's corporate philosophy calls for contributions to society, and its environmental philosophy calls for efforts to protect the global environment as an important issue.

In order to realize these principles and contribute to the sustainable development of society, we have established the Sustainability Policy and are working to achieve it.

◆ The relationship between our efforts and the realization of the SDGs is organized from three perspectives

- Initiatives in Products and Services
- Initiatives in Production Activities
- Initiatives to Value People and Local Communities



3-3. Topics (initiatives for sustainability)

Establishment of a sustainability promotion system

As of September 1, 2022, we have established an organization and system to promote sustainability and strengthened our initiatives.

◆ Sustainability Committee

Purpose: To enhance corporate value through company-wide promotion of sustainability initiatives

Committee members: President and Representative Director (Chairman), Executive Officers in charge

Role: Formulation of overall sustainability plan and progress evaluation

◆ Sustainability Promotion Office

Roles: Summary of sustainability issues, promotion and management of each policy, and information disclosure

[2Q Initiatives]

- Formulating specific roadmaps for products and services, the environment, and human capital, and promoting them throughout the company
- Formulation of medium- to long-term targets for greenhouse gas reduction and women's empowerment
(To be disclosed in the February issue of the integrated report)

<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, 2022) |
| (3) Net Sales | : 30.1 billion yen (ditto) |
| (4) Number of employees | : 1,193 (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

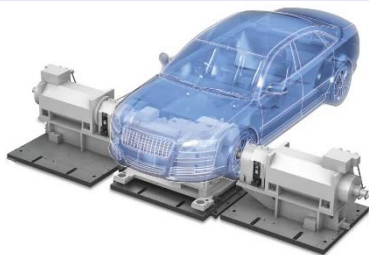


Motor



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

<Reference> Our company profile and business overview

◆ Sustainability Policy

The Group's Corporate Philosophy calls for contributions to society, while its Environmental Philosophy calls for efforts to protect the global environment as an important issue. And we have established our Sustainability Policy as a guideline for contributing to the sustainable development of society.

organize the relationship between our efforts and the realization of the SDGs from the following three perspectives to proceed with our future initiatives based on Corporate Philosophy, Environmental Philosophy and Corporate Slogan.

The Group Corporate Slogan

—Our Heart and Technology for the Future

Initiative in Products and Services

- Supply of decarbonized energy, such as small hydroelectric power generation
- Popularization of energy-efficient transportation, such as railroads and electric vehicles
- Efficiency of electrical equipment and the spread of power storage systems
- Improving safety, etc. through barrier-free transportation



Initiative in Production Activities

- Reduction of energy consumption in production
- Study of solar power generation and decarbonization of energy currently used
- Reduction of energy consumption during transportation of materials and products
- Recycling activities at production sites and offices, etc.

Initiative in Valuing People and Communities

- Support for school education by offering university endowed lectures and accepting school field trips in plants
- Promotion of gender equality initiatives and appointment of female managers
- Protecting the local environment, contributing to nature conservation, etc.



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>