
Financial Results Briefing for the Six Months Ended November 30, 2023

January 12, 2024
Toyo Denki Seizo K.K.

Program

- Briefing on Financial Results: 40 minutes
 1. Overview of Financial Results for the Six Months Ended November 30, 2023
 2. Financial Results Forecast for the Fiscal Year Ending May 31, 2024
 3. Progress and Specific Initiatives in Medium-Term Management Plan
 4. Toyo Denki Seizo's Initiatives for Sustainability

- Q&A: 20 minutes

1. Overview of Financial Results for the Six Months Ended November 30, 2023 (from June 1, 2023 to November 30, 2023)

1-1. Overview of Consolidated Financial Results

Orders received increased significantly and the business continued to recover. 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

	6M FYE May 2023	6M FYE May 2024	YoY Change		6M FYE May 2024 Forecast	Change vs. Forecast	
				%			%
Orders received	170.7	229.3	+ 58.6	+34.4%	173.0	+ 56.3	132.5%
Net sales	138.2	148.1	+ 9.9	+7.2%	159.0	(10.8)	93.1%
Operating profit	(0.8)	1.8	+ 2.6	—	(1.2)	+ 3.0	—
(%)	(- %)	(1.3%)	—		(- %)	—	
Ordinary profit	1.9	5.5	+ 3.5	+181.7%	0.5	+ 5.0	—
Profit	0.2	3.1	+ 2.9	—	1.8	+ 1.3	172.2%
[Profit per share(yen)]	2.98	33.80	+30.82		19.08	+14.72	—
Ratio of overseas sales to net sales	18.0%	20.3%	+2.3pt	—			

<Reference> Review of Business Environment for the six months ended November 30, 2023

Transportation Business

- Demand for new rolling stock production and equipment upgrades increased in line with the improvement in business performance of the domestic railway operators backed by the increase in inbound traffic and the recovery of footfall from the COVID-19 pandemic.
- Overseas, economies are gradually recovering in many countries. Orders for maintenance parts are increasing in China, and Southeast Asian countries are seeing active development driven by infrastructure demand.

Industry Business

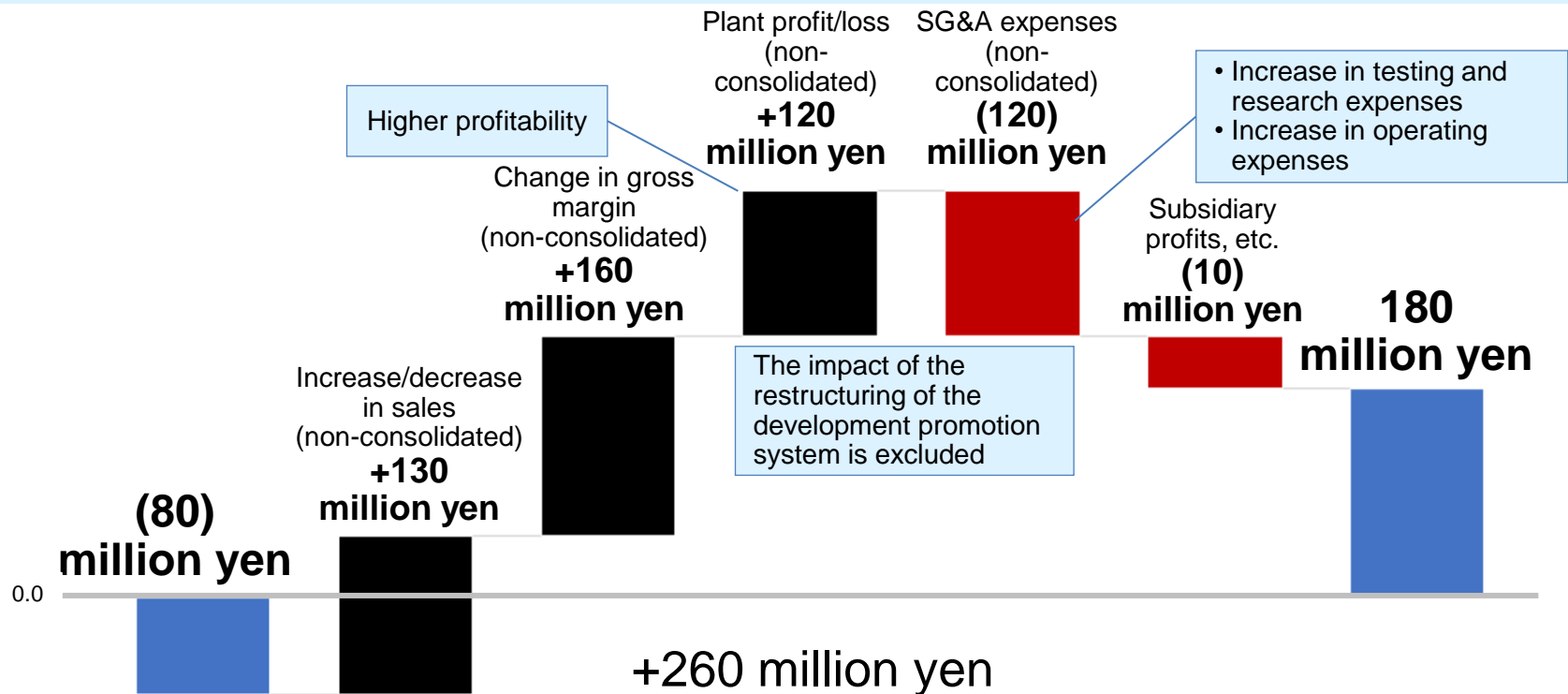
- Capital investment is strong in many industries, and inquiries to Toyo Denki Seizo K.K. (the “Company”) are increasing. On the other hand, in the testing system for automobiles, some companies are reconsidering capital investment in testing equipment due to the shift to electrification.
- Prolonged difficulties in procuring parts and materials continue to impact the Company’s production processes.

ICT Solution Business

- Orders for software upgrades for station equipment increased steadily as fares were revised and services for railway users improved.

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

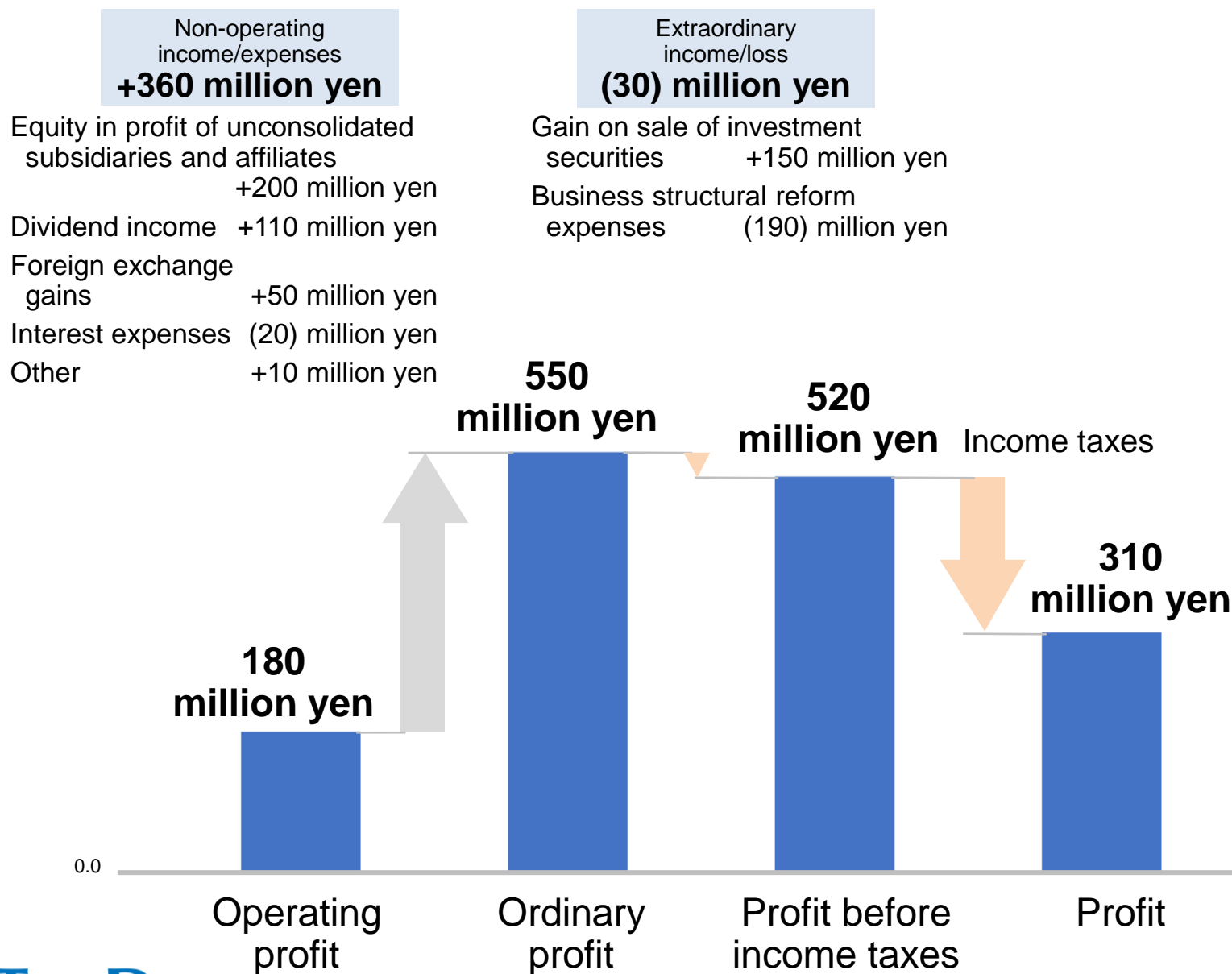
Operating profit grew, reflecting higher sales and our efforts to improve gross profit. On the other hand, SG&A expenses increased due to the pressure from operating expenses, testing and research expenses, etc.



6M FYE May 2023

6M FYE May 2024

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

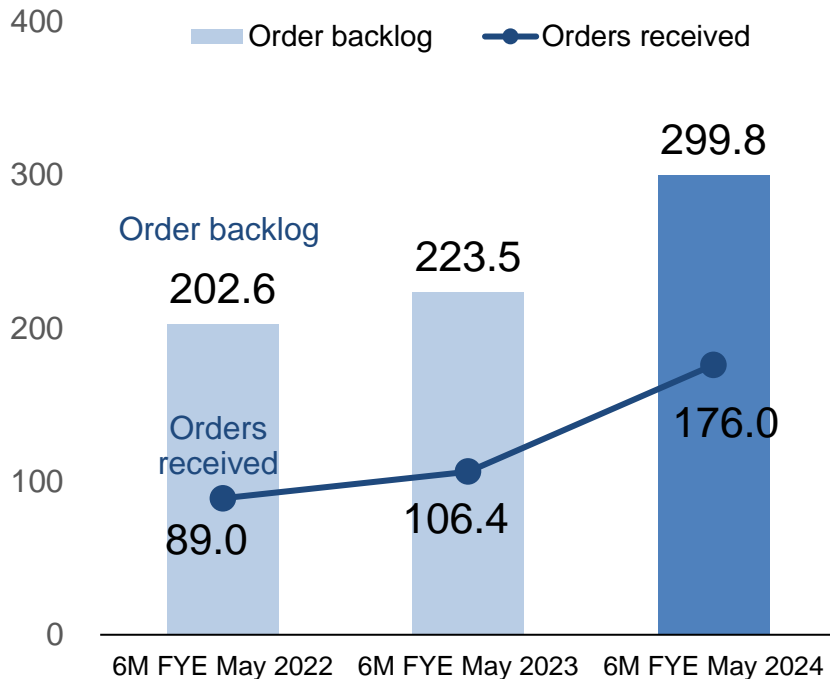


1-4. Segment Performance: Transportation Business

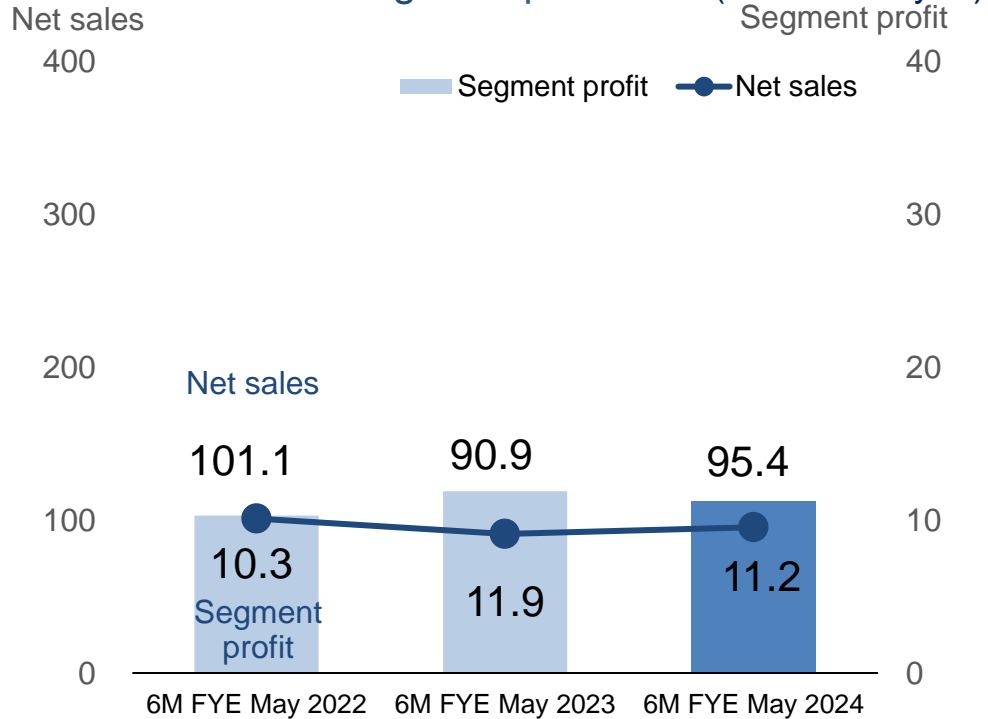
Transportation

Orders received strongly grew driven by orders for large projects in Indonesia
Net sales increased, but segment profit decreased due to an increase in operating expenses and testing and research expenses

■ Orders received and order backlog



■ Net sales and segment profit

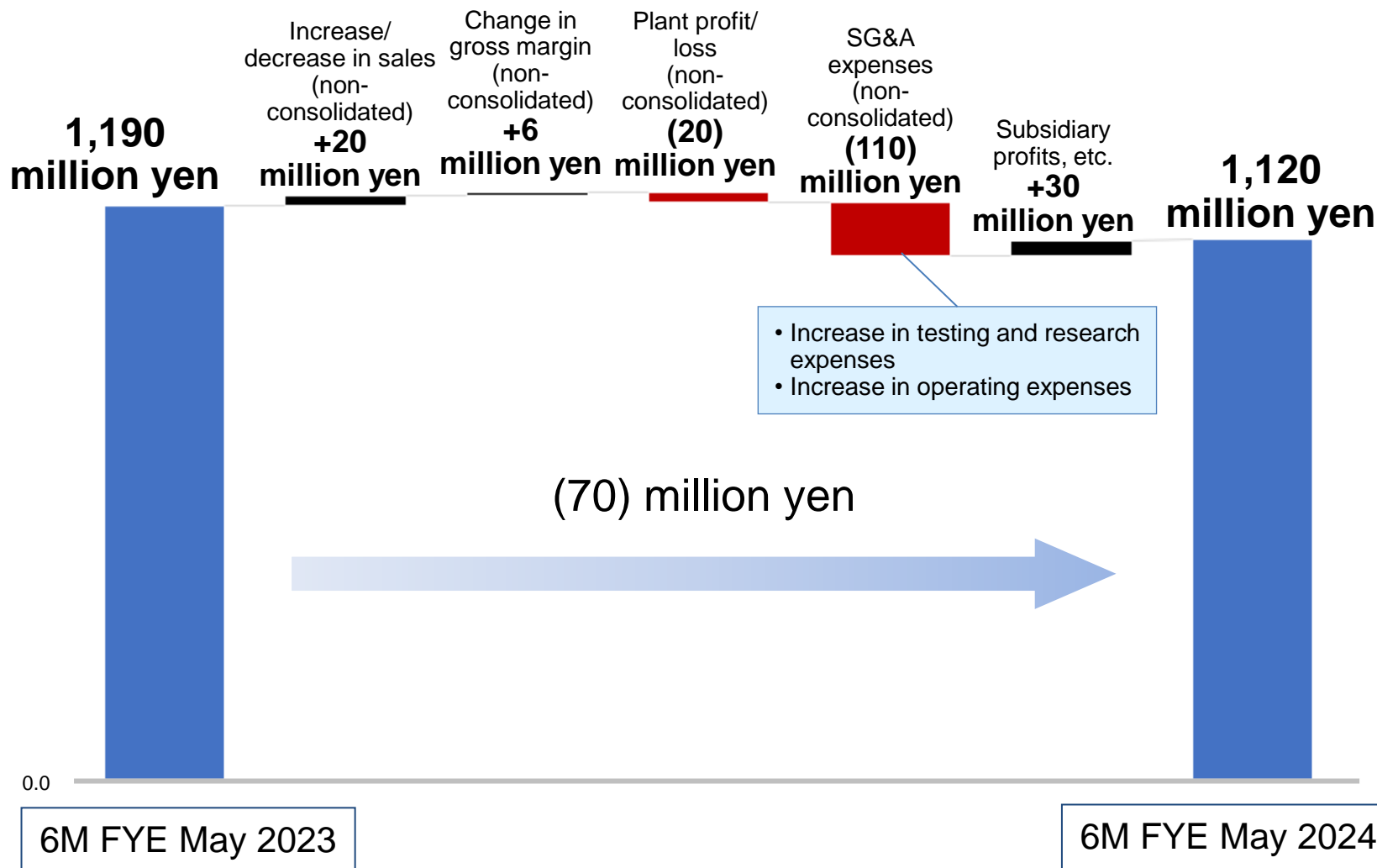


- Orders received from JR companies declined as a reaction to large orders received in the previous fiscal year, while orders received from overseas (other than China) surged reflecting large orders from Indonesia, and orders received from private railway companies and China increased
- Net sales grew thanks to higher sales to private railway companies and overseas (other than China) despite lower sales to China and to JR companies which saw a fall as a reaction to strong sales in the previous fiscal year
- Segment profit declined due to an increase in operating expenses and testing and research expenses

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

Transportation

Segment profit declined slightly due to increase in operating expenses and testing and research expenses

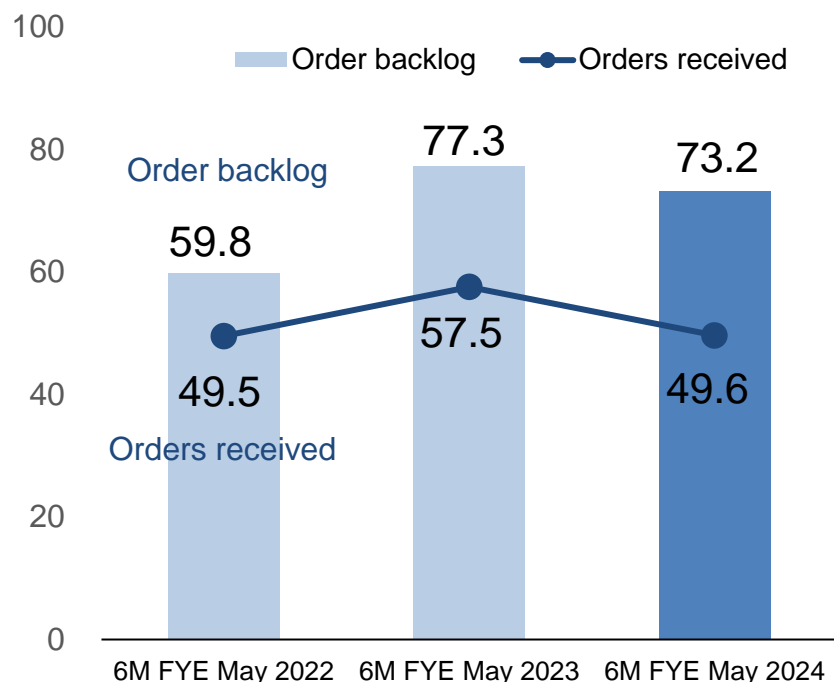


1-6. Segment Performance: Industry Business

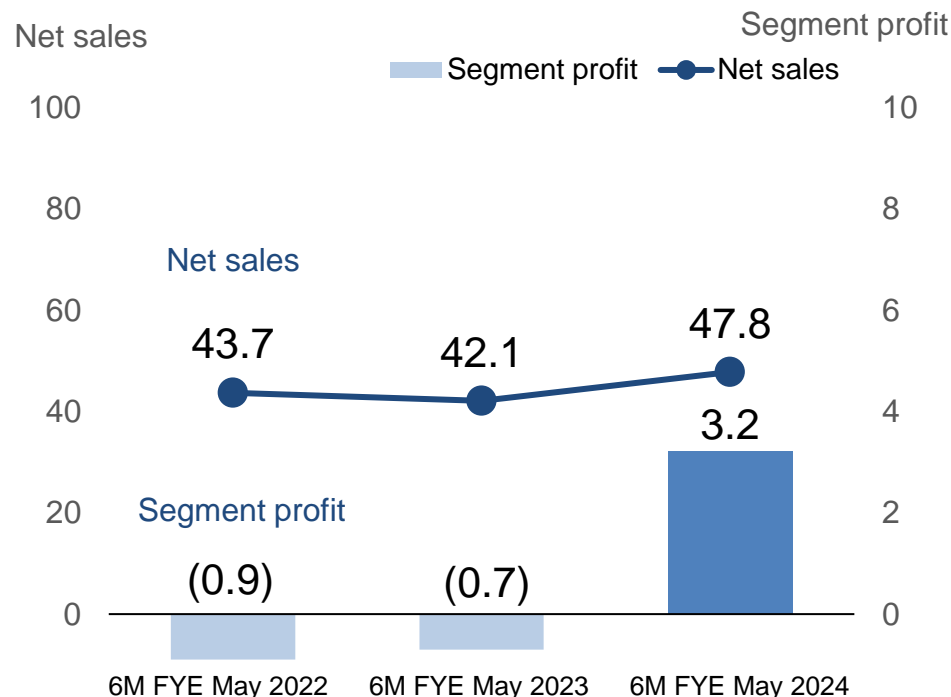
Industry

Orders received decreased. Net sales increased, and segment profit grew backed by higher sales and our efforts to improve gross profit

■ Orders received and order backlog



■ Net sales and segment profit (100 million yen)

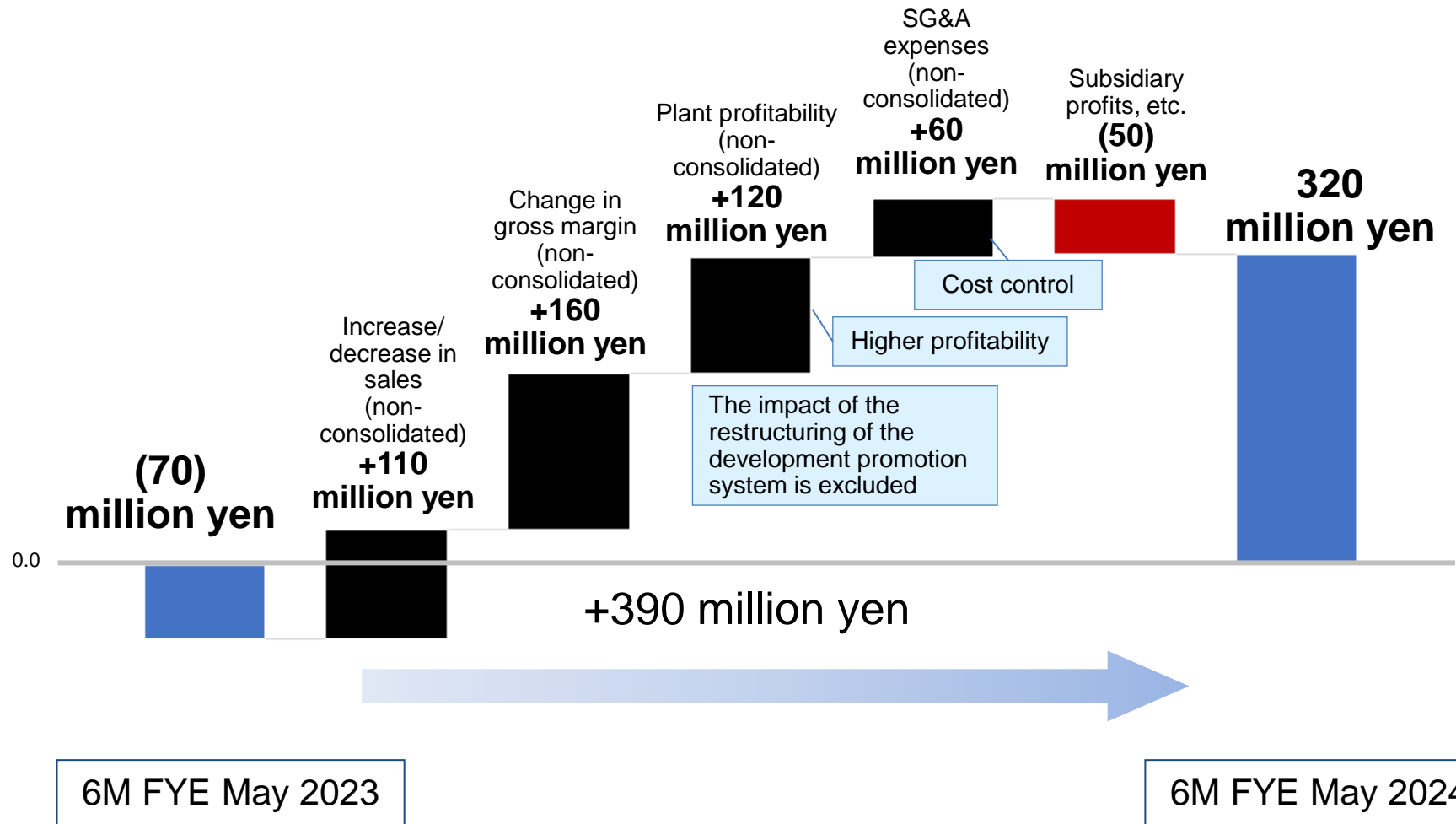


- Orders for power generation and power supply systems increased, but orders for automobile testing equipment and production and processing equipment systems declined, partly due to a backlash from large orders in the previous fiscal year, resulting in a decrease in the total orders received in the segment
- Net sales increased for automobile testing equipment, production and processing equipment systems, and power generation and power supply systems
- Segment profit grew, reflecting higher sales and our efforts to improve gross profit

1-7. IndustryBusiness: Factors for Increase and Decrease in Segment Profit

Industry

Segment profit grew, reflecting higher sales and our efforts to improve gross profit

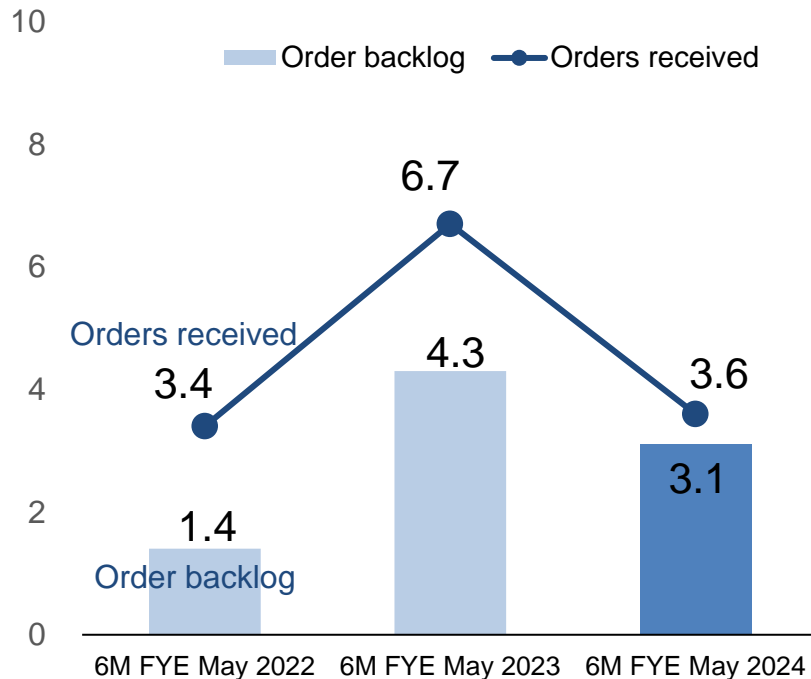


1-8. Segment Performance: ICT Solution Business

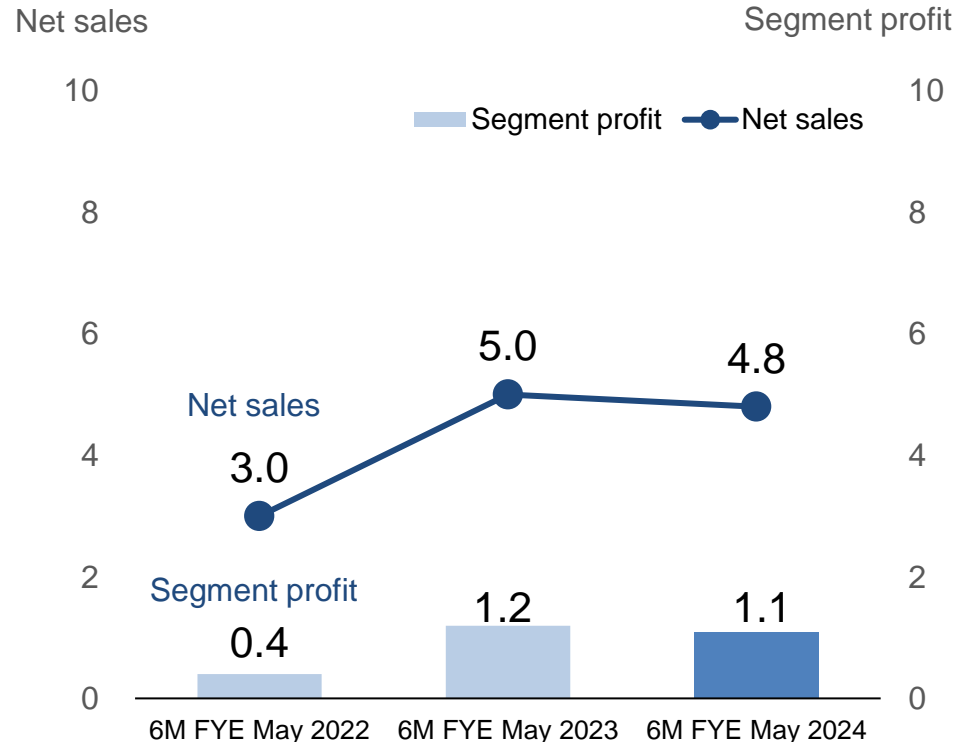
ICT
Solution

Orders received fell as a reaction to the previous fiscal year. Net sales and segment profit declined slightly

■ Orders received and order backlog



■ Net sales and segment profit (100 million yen)



- Orders received fell as a reaction to the strong demand for software upgrades for station operating equipment in the previous fiscal year
- Net sales declined due to a decrease in sales for station operating equipment systems
- Smaller sales resulted in a fall in segment profit

1-9. Consolidated Financial Position

(100 million yen)	May 31, 2023	November 30, 2023	Change	Remarks
Total assets	496.8	500.6	+3.7	
Current assets	267.3	263.4	(3.9)	Cash and deposits: (0.67) billion yen Inventories: +0.45 billion yen
Non-current assets	229.4	237.1	+7.7	Investment securities: +0.64 billion yen
Total liabilities	250.9	248.3	(2.6)	
Of which, net interest-bearing debt	56.5	60.3	+3.8	
Net assets	245.8	252.2	+6.4	Valuation difference on available-for-sale securities: +0.52 billion yen
Equity-to-asset ratio	49.5%	50.4%	+0.9pt	

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 are expected to reach 41.0 billion yen driven by the contribution from large overseas projects in the transportation business

Net sales of 34.5 billion yen and operating profit of 600 million yen are unchanged from the previous forecasts

(100 million yen)	FYE May 2023 (Results)		FYE May 2024			YoY Change
	2Q	Full year	2Q (Results)	Full year (Initial forecast)	Full year (Revised forecast)	Full year
Orders received	170.7	332.4	229.3	372.0	410.0	+ 77.5
Net sales	138.2	310.2	148.1	345.0	345.0	+ 34.7
Operating profit (%)	(0.8) (-%)	5.1 (1.7%)	1.8 (1.3%)	6.0 (1.7%)	6.0 (1.7%)	+ 0.8 (+0.0pt)
Ordinary profit	1.9	9.8	5.5	9.5	9.5	(0.3)
Profit	0.2	8.2	3.1	8.0	8.0	(0.2)
[Profit per share(yen)]	2.98	91.85	33.80	84.81	84.81	(7.04)
Dividend per share (yen)		30.0		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	269.0	125.0	16.0
	Net sales	218.0	116.0	11.0
	Segment profit	24.5	9.5	2.5
YoY Change	Orders received	+ 59.3	+ 16.4	+ 1.7
	Net sales	+ 19.4	+ 16.9	(1.5)
	Segment profit	+ 1.9	+ 4.7	(1.6)

3. Initiatives in Medium-Term Management Plan 2026

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

3-1. Medium-Term Management Plan 2026

■ Consolidated financial targets for FYE May 2026

Net sales
40 billion yen

Return sales to the pre-COVID level of **40 billion yen** through “**expansion of new businesses and products**”

Operating margin 5%

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**”

ROE 8%

■ 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

3-2. Initiatives in Medium-Term Management Plan 2026

Transportation

Initiatives to “**expand new businesses and products**”

Electrical equipment for railway vehicles

November 8 to 10, 2023
Exhibited at “Mass-Trans Innovation Japan 2023” (Makuhari Messe)

Electric door operating equipment

◆ Electric door operating equipment

With a similar size as conventional pneumatic door operation systems, electrical systems enable door operations to be finely controlled

◆ Door step device

This device is stored in the lower part of the vehicle entrance, and when it operates, the step plate is passed from the vehicle side to the platform to eliminate the gap between the entrance and the platform

Door step device

Vehicle side

Door step device

Platform side

3-3. Initiatives in Medium-Term Management Plan 2026

Transportation

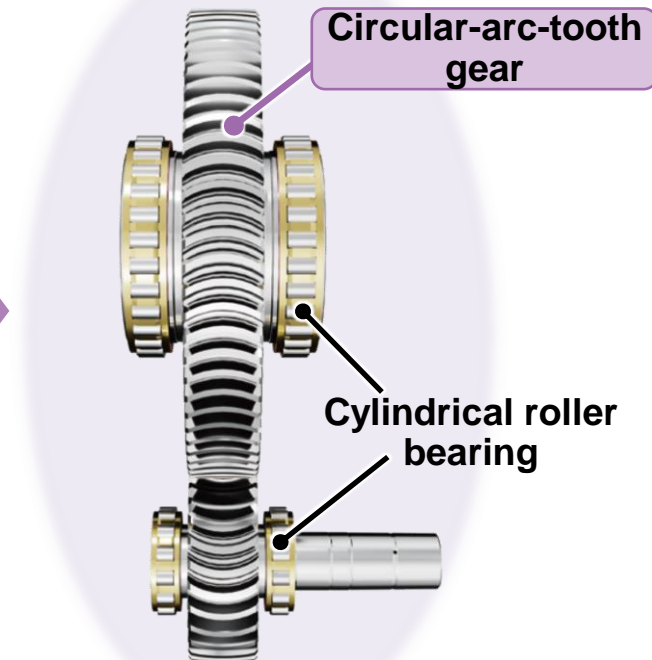
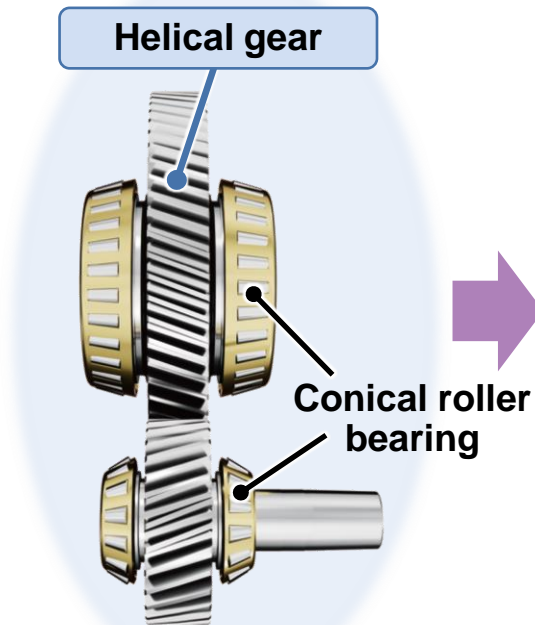
Initiatives to “**expand new businesses and products**”

Electrical equipment
for railway vehicles

November 8 to 10, 2023
Exhibited at “Mass-Trans Innovation
Japan 2023” (Makuhari Messe)

◆ Maintenance saving gear device

Circular-arc-tooth gear and cylindrical roller bearings reduced assembly work and extended bearing life



3-4. Initiatives in Medium-Term Management Plan 2026

Efforts for “**thorough improvement in earnings structure of existing businesses**”

◆ Processing and assembly of transportation products started at Shiga Ryuo Plant

Processing and assembly of transportation products started at Shiga Ryuo Plant (including TD Drive, a subsidiary), our main industrial plant.

Examples

- Assembly of propulsion inverters (VVVF inverter unit)
 - Machining of parts of traction motors and driving gear units
- ➡ Support large orders for transportation products



An example of machine tools

Efforts for “**improvement in asset efficiency with awareness of capital cost**”

◆ Sale of cross-held shares

Continue to sell investment securities.

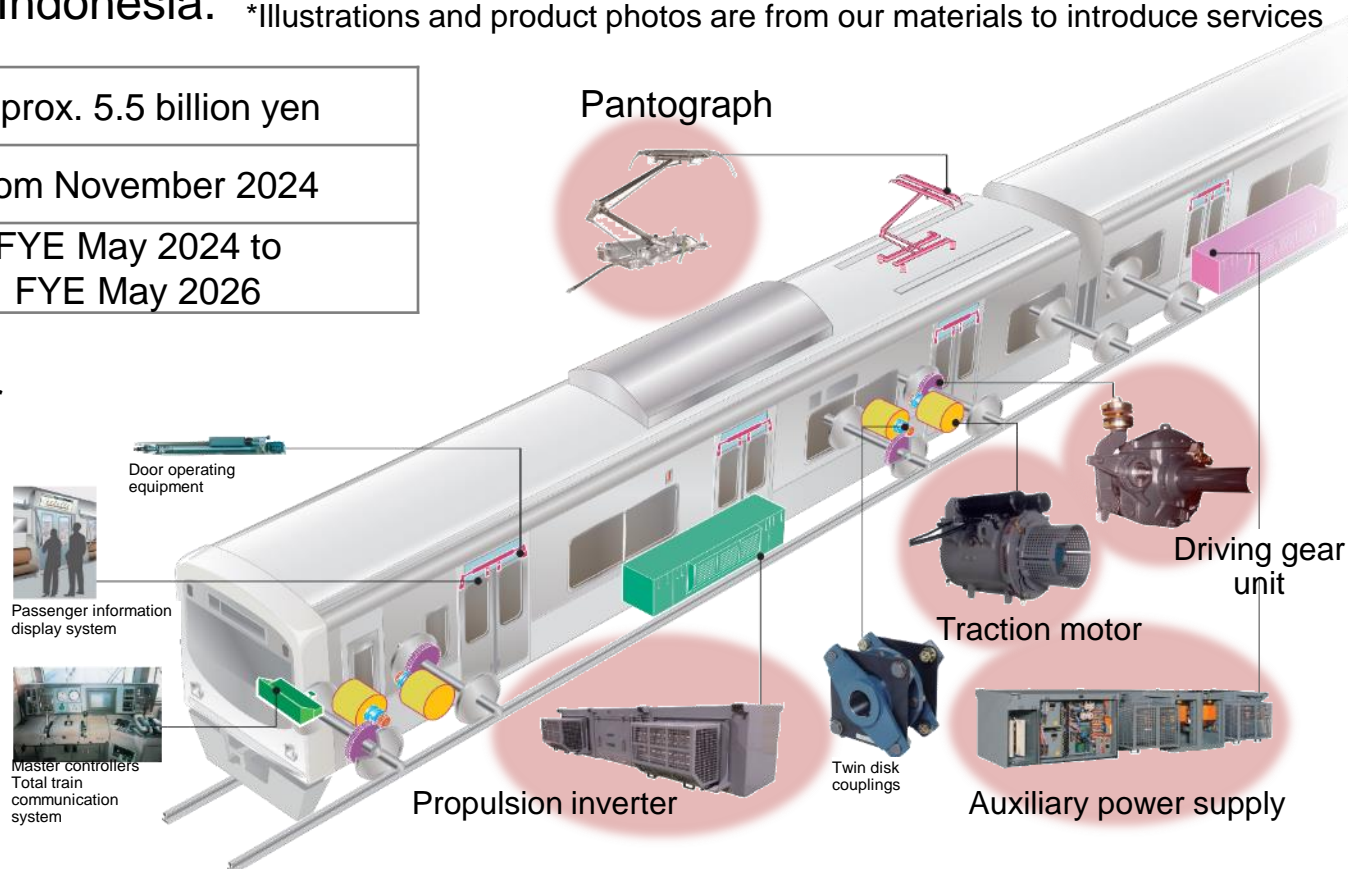
3-5. Orders for large projects

Orders received for electrical equipment for newly built cars for Indonesia Commuter Railway

We received orders from PT Industri Kereta Api, a state-owned rolling stock manufacturer in Indonesia, for electrical equipment for 192 newly built vehicles for PT Kereta Commuter Indonesia. *Illustrations and product photos are from our materials to introduce services

Order amount	Approx. 5.5 billion yen
Due date	From November 2024
Recording of sales	FYE May 2024 to FYE May 2026

Items ordered in our product lineup



The Company is currently reviewing the impact on its financial results for the fiscal year ending May 2024, and will promptly disclose any matters to be disclosed.

3-6. Purchase of treasury shares

Notice concerning determination of matters related to acquisition of treasury shares

The board of directors resolved on January 11, 2024, to acquire up to 300 million yen's worth of treasury shares

Reason for acquisition	To enhance shareholder returns and improve capital efficiency
Total number of shares to be repurchased	Up to 300,000 3.18% of total issued shares (excluding treasury stock)
Total acquisition price	Up to 300 million yen
Acquisition period	January 12, 2024, to January 10, 2025
Acquisition method	Market purchase on the Tokyo Stock Exchange

Treasury shares as of
November 30, 2023

Total number of issued shares (excluding treasury shares)	9,432,747
Treasury shares	302,253

4. Toyo Denki Seizo's Initiatives for Sustainability

4-1. Initiatives for Sustainability

Revision of Environmental Philosophy, Quality Policy, and Material Procurement Policy (December 2023)

Revisions were made to clearly express in the philosophy and guidelines that we are promoting various sustainability actions to realize a sustainable society

Environmental philosophy

This revision is based on the progress made in responding to climate change, including expressing support for the July 2023 TCFD recommendations

Quality policy

Expressing the Group's concept of contributing to society by providing a stable supply of safe and high-quality products and services, while clearly indicating measures to improve product quality and comply with requirements

Material procurement policy

Clarifying a policy of procuring raw materials and services for products in consideration of social requirements such as human rights and the environment, and contributing to the realization of a sustainable society together with suppliers

4-2. Initiatives for Sustainability

Sustainability policy and recent achievements from three perspectives

◆ 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.
Recent achievements	<p><u>Small hydroelectric power plant in Fujiyoshida City</u> Effectively using water flowing through local agricultural canals.</p> <p><u>New products under development</u> Promoted development of electric door operating equipment and door steps.</p>	<p><u>Reduction of power consumption at Ryuo Plant</u> Reduced automatic operation time by introducing an automatic control system for air conditioning.</p>	<p><u>Dialogue between the president and employees</u> Held regularly for the purpose of sharing the values of the president and employees.</p> <p><u>Participated in a donation course at a university</u> Introduced the history of environmentally friendly trains and the role played by Toyo Denki Seizo.</p>

4-3. Initiative in Products and Services

Provision of power generation equipment utilizing green energy

We provided products to Fujinoshizuku Power Plant, completed in Fujiyoshida City, Yamanashi Prefecture. This power plant uses water flowing through local agricultural canals, which had never been utilized as an energy source



◆ Helping with the introduction of renewable energy - Small hydroelectric power plants

- Effectively using water flowing through local agricultural canals to generate electricity.
- As a feature of our products that are useful for disaster prevention in the community, this type of power plant can supply power to smartphones and electric vehicles in the event of a power failure
- Continue to contribute to promoting the introduction of renewable energy



4-4. Initiatives to Value People and Local Communities

We will care about our employees and local communities and deliver our vitality to the future.

Held round table meetings to share the values of the president and employees, and introduced the Group's sustainability initiatives at a donation course at Kanto Gakuin University



◆ Round table meeting

- Round table meetings were held in which front-line employees and the president had direct conversations to share values and awareness of issues.
- Since its launch in December 2022, a total of 46 people have participated, and two-way communication has been activated.



◆ Participated in a donation course at Kanto Gakuin University

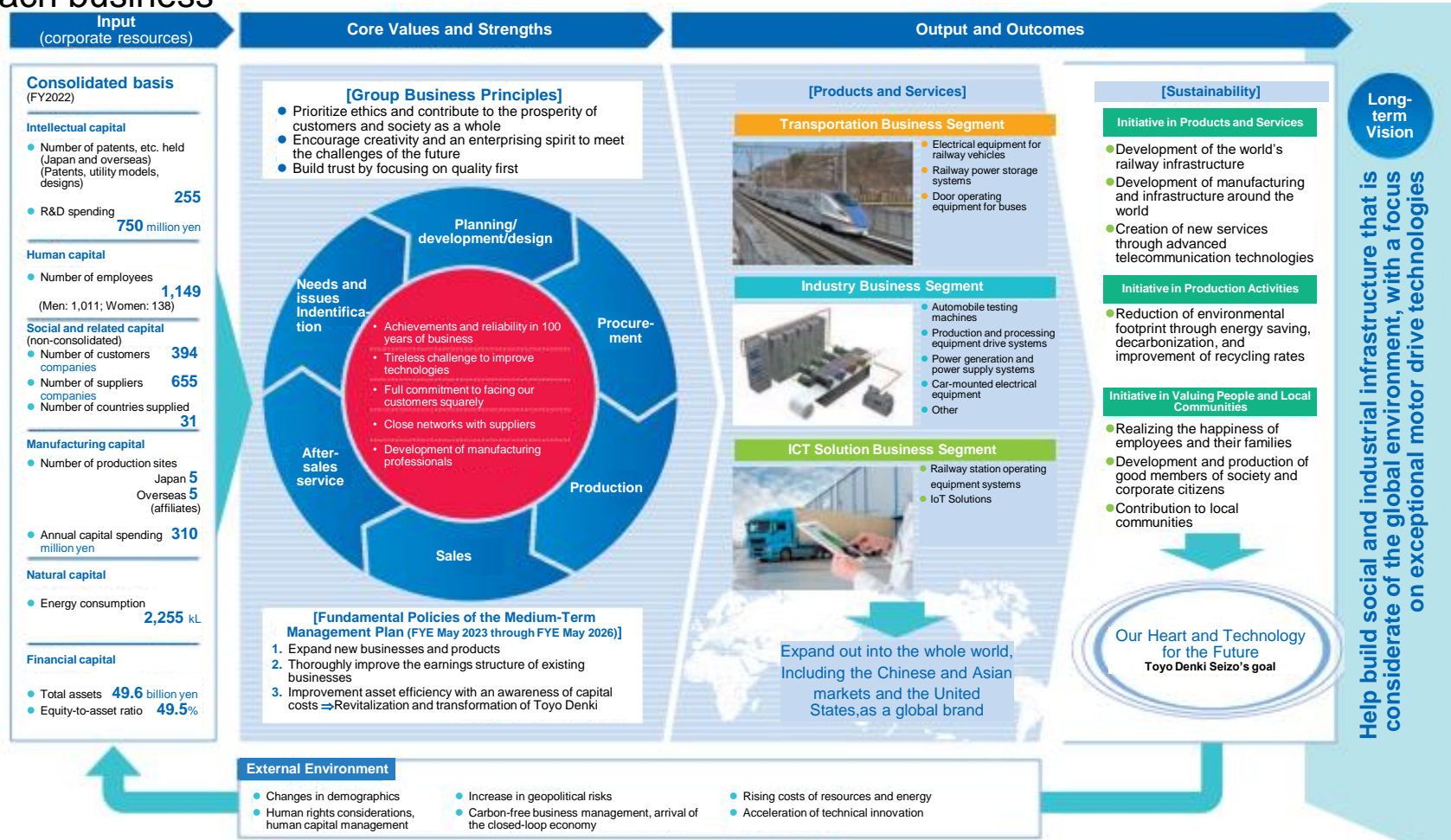
- Delivered a lecture to university students, who will lead the future, on the history of trains, which are environmentally friendly vehicles, and introduced the Group's efforts to produce electric equipment that is indispensable for trains.



4-5. Publication of Toyo Denki Seizo Report 2023

Toyo Denki Seizo Report 2023 was issued on December 21

The integrated report was issued to show future growth potential by integrating financial and non-financial information, including business principles, the value creation process, and activities in each business



<Reference> Our company profile and business overview

- (1) Establishment** : **June 20, 1918 (105 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.

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