Financial Results Briefing
Fiscal 2014 (Ended May 2015)

July 13, 2015
Toyo Denki Seizo K.K.
Program

- Briefing on Financial Results: 25 minutes
  1. Overview of Financial Results for Fiscal 2014
  2. Current Status of the Medium-Term Management Plan—“Next 100: Beyond 100 years”
  3. Outlook for Financial Results for Fiscal 2015

- Q&A: 30 minutes
1. Overview of Financial Results for Fiscal 2014
## 1-1. Overview of Consolidated Financial Results

### Significant increase in both net sales and income year-on-year

#### FY2015
- Operating income increased by about 50% due to revenue and plant profitability improvement
- Ordinary and net incomes almost doubled due to foreign currency exchange gains

#### Long-term perspective
- Recorded highest net sales amount since the introduction of consolidated reporting (recorded highest amount for Transportation Systems)
- Achieved new records for both overseas net sales and the ratio of overseas sales to net sales

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>YoY Change (%)</th>
<th>Difference (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>30.57</td>
<td>34.95</td>
<td>39.61</td>
<td>+4.66 (+13.3%)</td>
<td>-0.38 (-1.0%)</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>0.50 (1.6%)</td>
<td>1.07 (3.1%)</td>
<td>1.59 (4.0%)</td>
<td>+0.52 (+48.3%)</td>
<td>-0.20 (-11.3%)</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>1.15 (3.8%)</td>
<td>1.03 (3.0%)</td>
<td>2.05 (5.2%)</td>
<td>+1.02 (+98.5%)</td>
<td>-0.04 (-2.1%)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>0.72 (2.4%)</td>
<td>0.64 (1.8%)</td>
<td>1.10 (2.8%)</td>
<td>+0.46 (+71.6%)</td>
<td>-0.09 (-7.9%)</td>
</tr>
<tr>
<td><strong>Net income per share (Yen)</strong></td>
<td>+14.98</td>
<td>+13.37</td>
<td>+22.94</td>
<td>+9.57 (+71.6%)</td>
<td>-1.96 (-7.9%)</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>4.3%</td>
<td>3.4%</td>
<td>5.0%</td>
<td>+1.6%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Orders received</strong></td>
<td>33.94</td>
<td>42.56</td>
<td>39.07</td>
<td>-3.49 (-8.2%)</td>
<td>-5.93 (-13.2%)</td>
</tr>
<tr>
<td><strong>Ratio of overseas sales to net sales</strong></td>
<td>23.7%</td>
<td>27.3%</td>
<td>38.0%</td>
<td>+10.7%</td>
<td>-</td>
</tr>
</tbody>
</table>

- **Orders received**
  - FY2012: 33.94
  - FY2013: 42.56
  - FY2014: 39.07

### Ratio of overseas sales to net sales
- FY2012: 23.7%
- FY2013: 27.3%
- FY2014: 38.0%

### ROE
- FY2012: 4.3%
- FY2013: 3.4%
- FY2014: 5.0%

### Net sales
- FY2012: 30.57
- FY2013: 34.95
- FY2014: 39.61

### Operating income
- FY2012: 0.50 (1.6%)
- FY2013: 1.07 (3.1%)
- FY2014: 1.59 (4.0%)

### Ordinary income
- FY2012: 1.15 (3.8%)
- FY2013: 1.03 (3.0%)
- FY2014: 2.05 (5.2%)

### Net income
- FY2012: 0.72 (2.4%)
- FY2013: 0.64 (1.8%)
- FY2014: 1.10 (2.8%)

### Net income per share (Yen)
- FY2012: +14.98
- FY2013: +13.37
- FY2014: +22.94

### ROE
- FY2012: 4.3%
- FY2013: 3.4%
- FY2014: 5.0%

### Orders received
- FY2012: 33.94
- FY2013: 42.56
- FY2014: 39.07

### Ratio of overseas sales to net sales
- FY2012: 23.7%
- FY2013: 27.3%
- FY2014: 38.0%
1-2. Factors Contributing to YoY Changes in Operating Income

FY2013

- Increase in plant profitability: ¥370 million
- Additional revenue effect: ¥610 million
- Increase in subsidiaries’ income: ¥120 million

FY2014

- Increase in overhead expenses: ¥480 million
- Decrease in gross margin: ¥90 million
- Increase in plant profitability: ¥120 million
- Additional revenue effect: ¥520 million

Total change: ¥1,590 million (FY2014) - ¥1,070 million (FY2013)
1-3. Details of Non-Operating Income and Expenses

Non-operating income

- Gain on foreign currency exchange: +¥360 million
- Net interest and dividends: +¥60 million
- Equity in gain of equity-method investments, other: +¥40 million

Operating income: ¥1,590 million

Ordinary income: ¥2,050 million

Non-operating income: +¥460 million

Net income: ¥1,110 million

Income tax, other: -¥950 million

Note: Currency exchange rates
End of May 2014: ¥101.66/US$1.00
End of May 2015: ¥123.73/US$1.00
1-4. Segment Performance: Transportation Systems

Net sales and segment income have significantly increased thanks to international projects. Order backlog has remained high.

- **Net Sales** (Forecast: 26.0)
  - FY2012: 17.32
  - FY2013: 22.19
  - FY2014: 26.86

- **Segment Income** (Forecast: 2.8)
  - FY2012: 1.91
  - FY2013: 2.37
  - FY2014: 3.11

- **Orders Received** (Forecast: 28.0)
  - FY2012: 20.94
  - FY2013: 29.79
  - FY2014: 24.75

- **Order Backlog**
  - FY2012: 18.05
  - FY2013: 25.64
  - FY2014: 24.61
1-5. Segment Performance: **Industrial Systems**

Significant earnings growth due to structural reforms and increased revenues. Orders received have recovered to the level prior to the 2008 global financial crisis.

- **Net Sales**: Observed growth from FY2012 to FY2014, with a forecasted increase to 12.6 in FY2014.
- **Segment Income**: Increased from 0.43 in FY2012 to 0.53 in FY2013 and further to 0.84 in FY2014, with a forecasted value of 1.1.
- **Orders Received**: Grow from FY2012 to FY2014, reaching 15.5 in FY2014.
- **Order Backlog**: Showed an increase from 4.75 in FY2012 to 4.92 in FY2013, maintaining a robust level in FY2014 at 6.63.
1-5. Reference: Industrial Systems Orders Received

A large expansion in orders received started in the Dec.–Feb. quarter in FY2014.

Year-on-year growth rate for quarterly orders received

Fiscal 2015 is expected to record orders of 16 billion yen, higher than just before the 2008 global financial crisis.

Note:
1Q: Jun.–Aug.; 2Q: Sept.–Nov.; 3Q: Dec.–Feb.; 4Q: Mar.–May
1-6. Segment Performance: **Information Equipment Systems**

Station operating equipment orders fell due to a dip in upgrade demand.

![Bar charts showing Net Sales, Segment Income, Orders Received, and Order Backlog for FY2012, FY2013, and FY2014.](chart)

**Net Sales**
- FY2012: 1.70
- FY2013: 1.82
- FY2014: (Forecast: 1.40)

**Segment Income**
- FY2012: 0.26
- FY2013: 0.34
- FY2014: (Forecast: 0.24)

**Orders Received**
- FY2012: 1.54
- FY2013: 1.67
- FY2014: (Forecast: 1.50)

**Order Backlog**
- FY2012: 0.39
- FY2013: 0.24
- FY2014: 0.09
### 1-7. Consolidated Financial Position

(Billions of yen)

<table>
<thead>
<tr>
<th></th>
<th>May 31, 2014</th>
<th>May 31, 2015</th>
<th>YoY Change</th>
<th>Notes (Major Factors Contributing to Changes)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total assets</strong></td>
<td>44.75</td>
<td>53.04</td>
<td>+8.29</td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>23.55</td>
<td>25.59</td>
<td>+2.04</td>
<td>Cash and deposits: +0.57, notes and accounts receivable-trade: +2.03 Inventories: -0.70, other</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td>21.19</td>
<td>27.44</td>
<td>+6.25</td>
<td>Investment securities: +6.06, other (Due to the rise in market value of existing capital holdings)</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>25.40</td>
<td>28.14</td>
<td>+2.74</td>
<td>Deferred tax liabilities: +1.96 Interest-bearing liabilities: +0.50, other</td>
</tr>
<tr>
<td><strong>Of which, interest-bearing debt</strong></td>
<td>8.92</td>
<td>9.42</td>
<td>+0.50</td>
<td>Retained earnings: +1.19, Unrealized holding gain on available-for-sale securities: +4.36</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>19.35</td>
<td>24.89</td>
<td>+5.54</td>
<td></td>
</tr>
<tr>
<td><strong>Equity ratio</strong></td>
<td>43.2%</td>
<td>47.0%</td>
<td>+3.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets per share (yen)</strong></td>
<td>401.45</td>
<td>516.82</td>
<td>+115.37</td>
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</tbody>
</table>
2. Current Status of the Medium-Term Management Plan—“Next 100”
2-1. Medium-Term Management Plan—“Next 100”

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

- Period Covered
  June 2014–May 2017

- Fundamental Policy

- Performance Targets

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2016 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>34.95</td>
<td>39.61</td>
<td>50.00</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>1.07</td>
<td>1.59</td>
<td>3.00</td>
</tr>
<tr>
<td><em>(Operating income margin)</em></td>
<td>(3.1%)</td>
<td>(4.0%)</td>
<td>(6.0%)</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>1.03</td>
<td>2.05</td>
<td>3.20</td>
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<tr>
<td><strong>Net income</strong></td>
<td>0.64</td>
<td>1.10</td>
<td>1.90</td>
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<tr>
<td><strong>Overseas net sales</strong></td>
<td>9.55</td>
<td>15.06</td>
<td>25.00</td>
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<tr>
<td><em>(Ratio of overseas sales to net sales)</em></td>
<td>(27.3%)</td>
<td>(38.0%)</td>
<td>(50.0%)</td>
</tr>
</tbody>
</table>

(II) Build a stable business earnings structure

(V) Establish new businesses

(VI) Train human resources to support global development

(I) Strengthen international competitiveness

(III) Restructure production system

(IV) Promote development of technology
2-2. (I) Strengthening International Competitiveness (Transportation Systems)

High level of orders continues with products for Chinese high-speed rail. Overseas expansion of China Railway Rolling Stock Corporation (CRRC) is also anticipated.

- The total length of the Chinese high-speed rail system is about five times that of Japan's Shinkansen, and further expansion is expected.
- Toyo Denki gear unit orders are also staying at a high level.
- Toyo Denki accommodates new vehicle demand associated with the new line opening and take measures to meet strong upgrade demand.

Expansion of the Chinese High-speed Rail Network

**Total Network Length**

- Up to 2010: [Graph]
- Up to 2014: [Graph]
- Up to 2030: [Graph]

**Vehicle Stock**

- Up to 2010: [Graph]
- Up to 2014: [Graph]
- Up to 2030: [Graph]

Current level in Japan (Shinkansen)
2-3. (I) Strengthening International Competitiveness
(Transportation Systems)

Development, testing and delivery are all moving forward as planned for international projects.

1. Shipped electrical equipment and started tests for LRV for Los Angeles Metro

   ![Vehicle with Toyo Denki electrical components undergoing testing](image)

2. Commercialized and launched high-speed circuit breakers to market
   • Joint development of new products with Hitachi, Ltd.

   ![Toyo Denki components](image)

3. Enhanced sales activity in the Middle East and Southeast Asia
   • Initiative for the Jakarta Mass Rapid Transit (MRT) project
   • More inquiries from other regions as well

4. Expanded business in electrical equipment into the automated people mover (APM) segment
   • APM expansion in Macau, etc.

   ![Macau APM rail transportation system](image)
Strengthening sales activities such as sales channel expansion and securing upgrade demand

- Initiatives for automotive development testing equipment
  - Measures to support the overseas expansion of Japanese automakers
  - Expansion towards manufacturers in Japan
  - Development of overseas automaker customers

- Securing DC motor upgrade demand (including control devices for processing machines)
  - Launching inverters by adding a DC motor operation function in addition to AC motors
  - Helping users by reducing capital investment and responding to needs for energy saving
2-5. (III) Restructuring Production System

Securing a new plant site in order to achieve net sales of ¥50 billion or more

Aims
- Transportation Systems: Increase production capacity at the Yokohama Plant by 30% or more
- Industrial Systems: Consolidate scattered sites and functions in the Shiga district, and strengthen profitability and competitiveness. (Integrate functions such as development, design, manufacturing and quality assurance into the Shiga district)

Site overview
- Location: Ryuo-cho, Shiga Prefecture
- Scheduling contract signing: March 2015
- Land area: 34,400 m² (Yokohama Plant: 55,300 m²)
- Scheduled start of operation: Spring 2018
Establishing New Businesses (Transportation Systems)

Start of maintenance business in China. Concept realization also begun for medium- and long-term development.

Background
• Secured over 30% of the electrical equipment demand from the Beijing Subway

Current situation
• Beijing Jingche Shuangyang Traction System Co., Ltd. started operations in October 2014
• Capturing all the demand for electrical equipment overhaul from the rapidly expanding Beijing Subway

Business outlook
• Also capturing subway maintenance demand outside Beijing.
• Increasing the plant scale and capacity to more than three times the current levels.
  → Plans for plant relocation as part of Beijing-Tianjin-Hebei economic zone plan.

Office of Beijing Jingche Shuangyang Traction System
(Non-equity method affiliated company)
## 2-6. Reference (V) Establishing New Businesses
### (Transportation Systems)

**Estimated number of Beijing Subway vehicles requiring maintenance**

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<tbody>
<tr>
<td>Under construction, planned</td>
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<td>Western Suburb</td>
<td>N.A.</td>
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<td>Haidianshanhou</td>
<td>N.A.</td>
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</table>

**Total vehicles**: 3,766

**Note 1**: Circled figures indicate the number of newly introduced vehicles.

**Note 2**: After 10 years, general inspection and repair to be carried out over an average of two or three years.

Many routes opened around the Beijing Olympics.

Many vehicles need general inspection and repair after 10 years from introduction.
Strengthening of the generator business (up to 30 MW). Developing the Japanese and international markets.

**Toyo Denki’s target market**

<table>
<thead>
<tr>
<th>Capacity</th>
<th>Application examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 10 MW</td>
<td>• Biomass power generation (energy recovery)</td>
</tr>
<tr>
<td>11 to 30 MW</td>
<td>• Waste processing furnace (energy recovery)</td>
</tr>
<tr>
<td>Higher</td>
<td>• Power supplies (emergency / regular), etc.</td>
</tr>
</tbody>
</table>

**Application examples for biomass power generation (sugar cane refinery)**

- Sugar cane
- Sugar refinery
- Molasses
- Ethanol refinery
- In-house power generation
- Biomass power generation facility
- Boiler
- Steam
- Turbine generator
- Sugar equipment
- Sugar cane bagasse
- Ethanol refining equipment
- Electricity sales
- Ethanol
3. Outlook for Financial Results for Fiscal 2015
### 3-1. Consolidated Financial Forecast for Fiscal 2015

Net sales is forecast at ¥44 billion and operating income is forecast at ¥2.1 billion

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015 (Forecast)</th>
<th>YoY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1H [A]</td>
<td>Full Year [a]</td>
<td>1H [B]</td>
</tr>
<tr>
<td><strong>Net sales</strong></td>
<td>19.06</td>
<td>39.61</td>
<td>18.00</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>0.58</td>
<td>1.59</td>
<td>0.30</td>
</tr>
<tr>
<td>(%)</td>
<td>(3.1%)</td>
<td>(4.0%)</td>
<td>(1.7%)</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>0.87</td>
<td>2.05</td>
<td>0.35</td>
</tr>
<tr>
<td>(%)</td>
<td>(4.6%)</td>
<td>(5.2%)</td>
<td>(1.9%)</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>0.51</td>
<td>1.10</td>
<td>0.20</td>
</tr>
<tr>
<td>(%)</td>
<td>(2.7%)</td>
<td>(2.8%)</td>
<td>(1.1%)</td>
</tr>
<tr>
<td><strong>Net income per share (yen)</strong></td>
<td>10.69</td>
<td>22.94</td>
<td>4.15</td>
</tr>
<tr>
<td><strong>Dividend forecast (yen/share)</strong></td>
<td></td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td></td>
<td>5.0%</td>
<td>5.5%</td>
</tr>
<tr>
<td><strong>Orders received</strong></td>
<td>19.60</td>
<td>39.07</td>
<td>19.50</td>
</tr>
<tr>
<td><strong>Year-end order backlog</strong></td>
<td></td>
<td>31.34</td>
<td></td>
</tr>
</tbody>
</table>
Increase in net sales and income is expected as a result of full-scale industrial recovery and continued strong business for Transportation Systems.

<table>
<thead>
<tr>
<th></th>
<th>Transportation Systems</th>
<th>Industrial Systems</th>
<th>Information Equipment Systems</th>
<th>Adjustment, etc.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Net sales</td>
<td>28.50</td>
<td>14.00</td>
<td>1.50</td>
<td>0.00</td>
<td>44.00</td>
</tr>
<tr>
<td>Segment income</td>
<td>3.20</td>
<td>1.20</td>
<td>0.23</td>
<td>(2.53)</td>
<td>2.10</td>
</tr>
<tr>
<td>Orders received</td>
<td>28.50</td>
<td>16.20</td>
<td>1.30</td>
<td>0.00</td>
<td>46.00</td>
</tr>
</tbody>
</table>

|                      |                        |                    |                               |                 |       |
| YoY Change           |                        |                    |                               |                 |       |
| Net sales            | +1.63                  | +2.39              | +0.37                         | -0.01           | +4.38 |
| Segment income       | +0.08                  | +0.35              | +0.16                         | -0.09           | +0.50 |
| Orders received      | +3.74                  | +2.88              | +0.32                         | -0.01           | +6.93 |
3-3. Conclusion

Looking toward the next 100 years, focusing on priority issues and segments below

**Transportation Systems**
- Revenue expansion for the new maintenance business
- Expansion of overseas development areas
- Expanding and deepening alliances

**Industrial Systems**
- Strengthening initiatives for the new generator business
- Strengthening sales channels and product foundations for automotive testing equipment

**Both Segments**
- Execution of investment strategy for medium-term growth
- Improvement of capital efficiency
Thank you for your interest.

https://www.toyodenki.co.jp/en/

Inquiries

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Toyo Denki Seizo K.K.
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Email: contact@toyodenki.co.jp
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- 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.