
Financial Results Briefing

First Half of Fiscal 2014

(Ended November 30, 2014)

January 15, 2015
Toyo Denki Seizo K.K.

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

- Q&A: 30 minutes

1. Overview of Financial Results for
the First Half of Fiscal 2014
(June 1–November 30, 2014)

1-1. Key Points

General performance was approximately as forecasted. However, orders received were slightly lower than forecast.

(Difference)

<p>■ Overall</p>	<p>Net sales · Operating income: Approximately as forecasted Ordinary income and net income: Higher than forecasted Orders received: Slightly lower than forecasted</p> <ul style="list-style-type: none"> • Net sales: ¥19.06 billion (+¥0.56 billion) • Operating income: ¥0.58 billion (−¥0.20 billion) • Ordinary income: ¥0.87 billion (+¥0.27 billion) • Net income: ¥0.51 billion (+¥0.16 billion) • Orders received: ¥19.60 billion (−¥0.40 billion)
<p>Transportation Systems</p>	<p>Net sales were higher than forecasted, and segment income was as forecasted</p> <ul style="list-style-type: none"> • Net sales: ¥13.03 billion (+¥0.88 billion) • Segment income: ¥1.35 billion (+¥0.00 billion)
<p>Industrial Systems</p>	<p>Net sales and segment income were approximately as forecasted</p> <ul style="list-style-type: none"> • Net sales: ¥5.66 billion (−¥0.04 billion) • Segment income: ¥0.41 billion (+¥0.03 billion)
<p>Information Equipment Systems</p>	<p>Net sales were lower than forecasted, and segment income was approximately as forecasted</p> <ul style="list-style-type: none"> • Net sales: ¥0.36 billion (−¥0.28 billion) • Segment income: ¥0.01 billion (−¥0.00 billion)

1-2. Overview of Consolidated Financial Results

Year on year: 20% increase in net sales, significant increase in operating income (2.7 times)

(Billions of yen)

	1H FY2013	1H FY2014	YoY Change	(%)
Net sales	15.82	19.06	+3.23	(+20.5%)
Operating income (%)	0.21 (1.3%)	0.58 (3.1%)	+0.37 (+1.7%)	(+174.0%) —
Ordinary income (%)	0.27 (1.7%)	0.87 (4.6%)	+0.60 (+2.9%)	(+223.4%) —
Net income (%)	0.05 (0.4%)	0.51 (2.7%)	+0.45 (+2.3%)	(+790.7%) —
Net income per share (yen)	1.20	10.69	+9.49	(+790.7%)
Orders received	18.25	19.60	+1.35	(+7.4%)

1H FY2014 Forecast	Difference	(%)
18.50	+0.56	(+3.0%)
0.60 (3.2%)	-0.02 (-0.1%)	(-3.3%) —
0.60 (3.2%)	+0.27 (+1.4%)	(+45.0%) —
0.35 (1.9%)	+0.16 (+0.8%)	(+45.7%) —
7.26	+3.43	(+47.2%)
20.00	-0.4	(-2.0%)

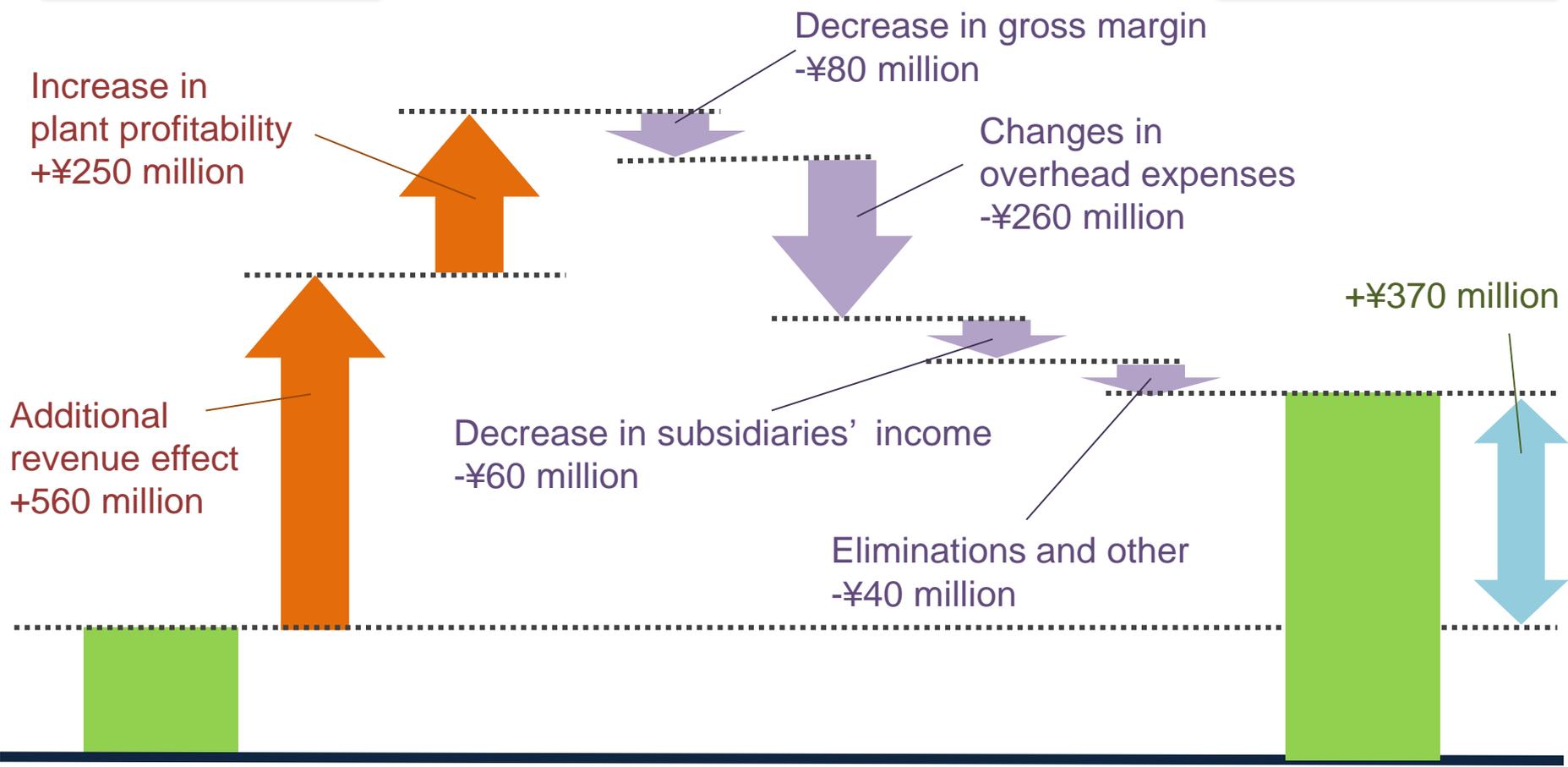
1-3. Factors Contributing to YoY Changes in Operating Income

1H FY2013

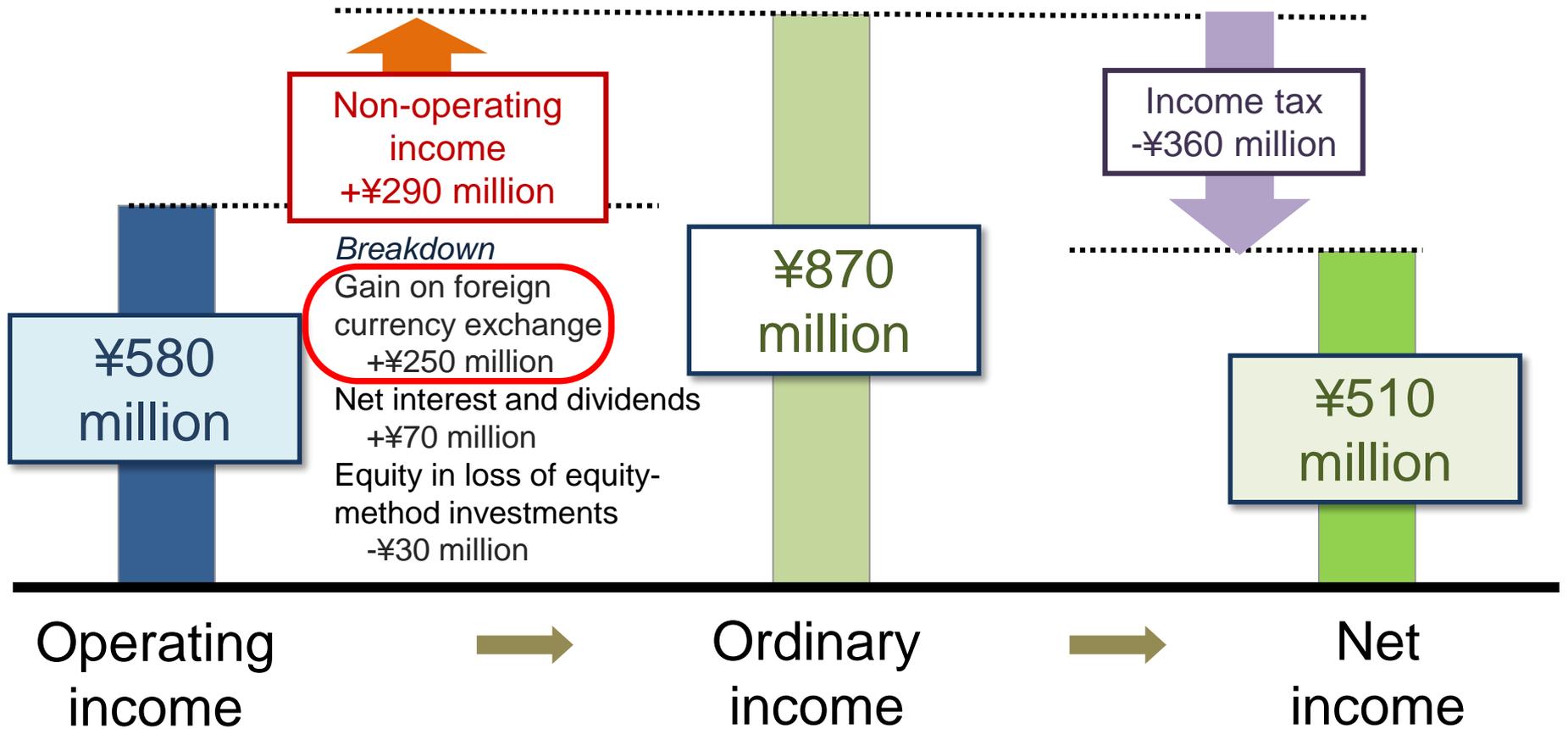
1H FY2014

¥210 million

¥580 million



1-4. Details of Non-Operating Income and Expenses



Note: Currency exchange rates

- End of May 2014: ¥101.66/US\$1.00
- End of November 2014: ¥118.23/US\$1.00

1-5. Overview of Business Segment Results

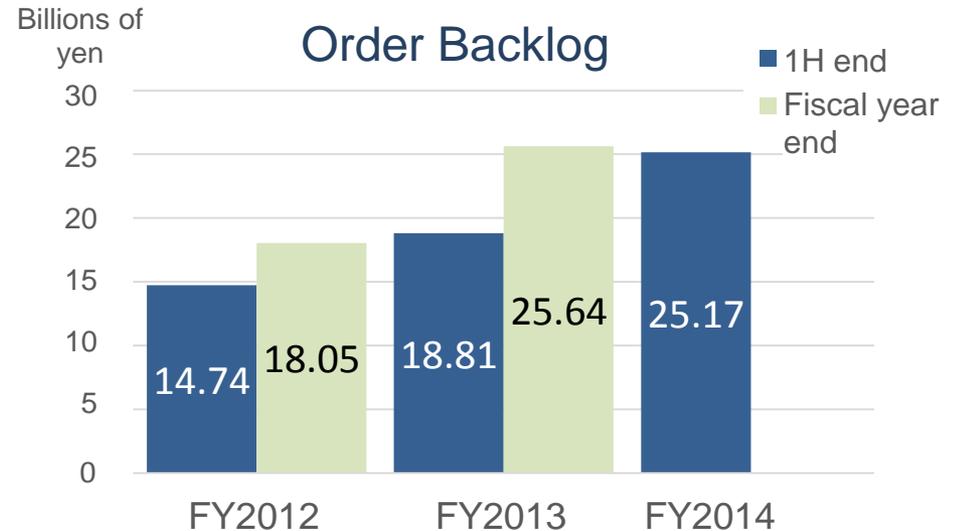
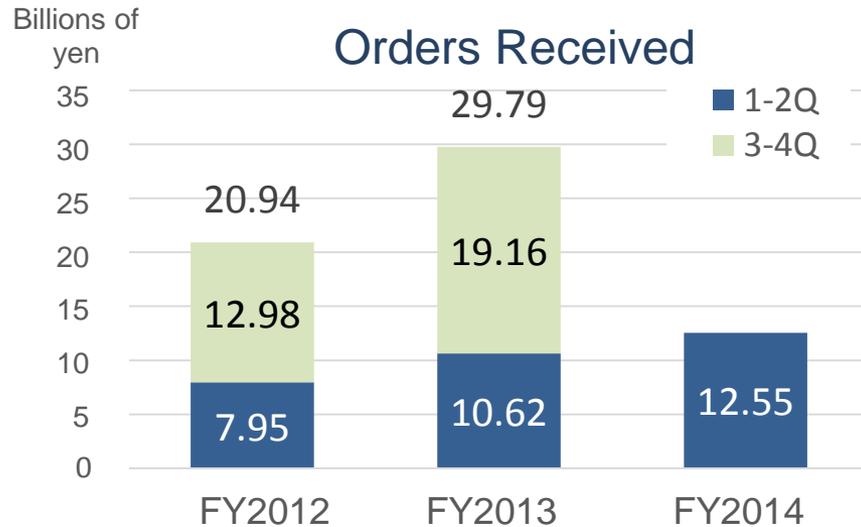
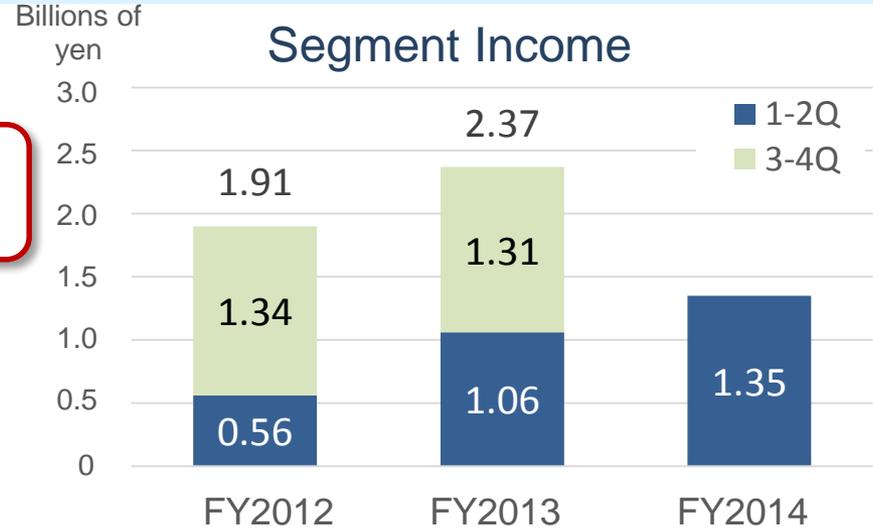
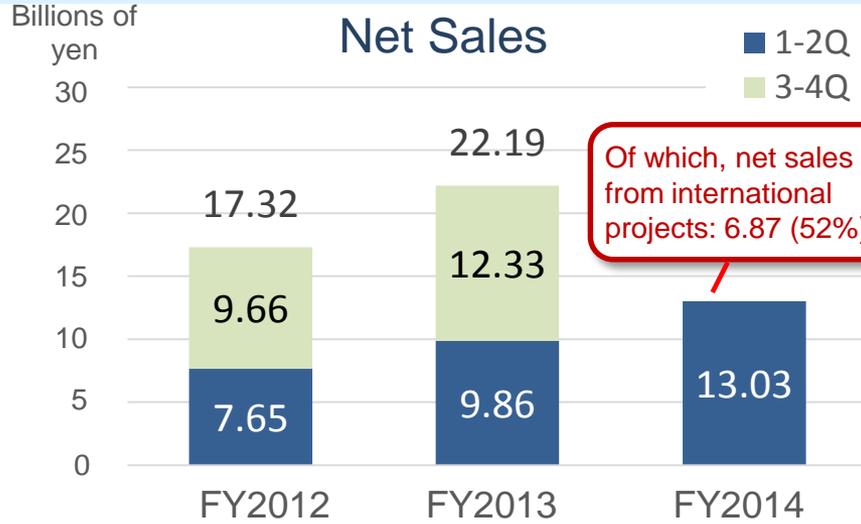
Net sales and segment income grew in Transportation Systems and Industrial Systems. Orders received increased year on year with slower growth.

(Billions of yen)

		Transportation Systems	Industrial Systems	Information Equipment Systems	Group/ Eliminations	Total
Net sales	1H FY2013	9.86	5.33	0.63		15.82
	1H FY2014	13.03	5.66	0.36		19.06
	YoY change	+3.17	+0.33	-0.27		+3.24
Segment income	1H FY2013	1.06	0.17	0.01	-1.04	0.21
	1H FY2014	1.35	0.41	0.01	-1.19	0.58
	YoY change	+0.29	+0.24	+0.00	-0.15	+0.37
Orders received	1H FY2013	10.62	6.59	1.03		18.25
	1F FY2014	12.55	6.45	0.58		19.60
	YoY change	+1.93	-0.14	-0.45		+1.35

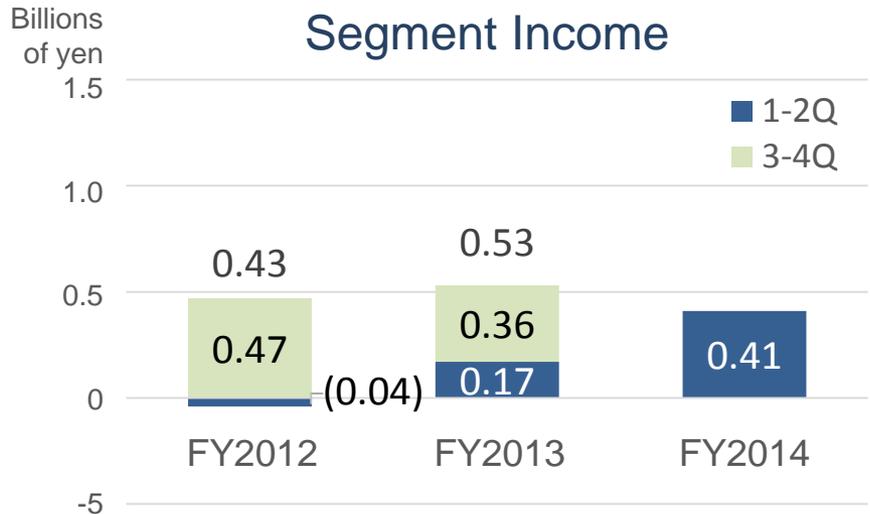
1-6. Segment Performance: Transportation Systems

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



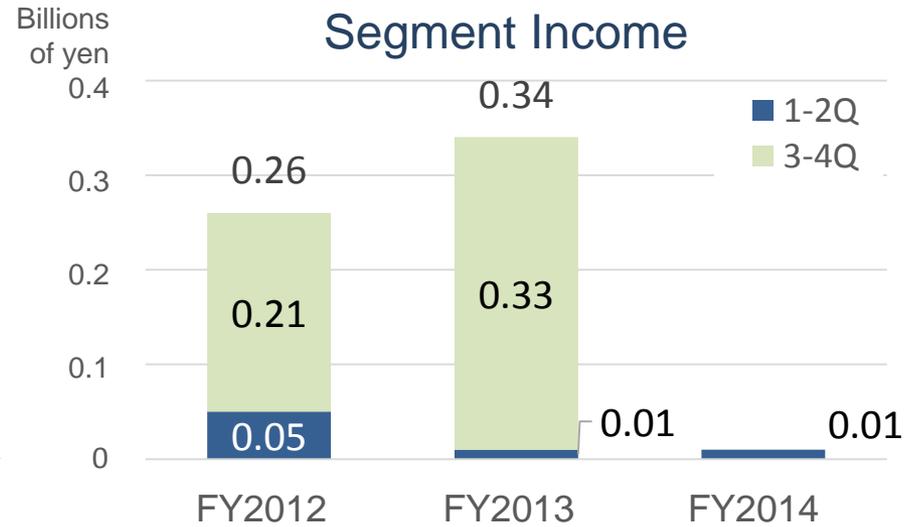
1-7. Segment Performance: Industrial Systems

Profitability has greatly improved due to structural reforms. Orders received have weakened.



1-8. Segment Performance: Information Equipment Systems

A slight pause in station operating equipment demand led to a decrease in net sales and orders received.



1-9. Consolidated Financial Position

(Billions of yen)

	May 31, 2014	November 31, 2014	Change	Notes (Major Factors Contributing to Changes)
Total assets	44.75	50.67	+5.92	
Current assets	23.55	26.18	+2.63	Cash and deposits: +0.51, notes and accounts receivable/trade: +1.59, other
Fixed assets	21.19	24.49	+3.30	Investment securities: +3.51, other (Mainly due to the rise in market value of existing capital holdings)
Total liabilities	25.40	28.40	+3.00	Interest-bearing liabilities: +1.22, accrued expenses: +0.66, other
Of which, interest- bearing debt	8.92	10.14	+1.22	Short-term debt: +0.12, long-term debt: +1.10
Net assets	19.35	22.27	+2.92	Retained earnings: +0.59, Unrealized holding gain on available-for-sale securities: +2.26
Equity ratio	43.2%	43.9%	+0.7%	
Net assets per share (yen)	401.45	457.76	+56.31	

2. Current Status of the Medium-Term
Management Plan—
“Next 100 : Beyond the 100 years”

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**

(Billions of yen)

	FY2013	FY2016 Forecast	Difference
Net sales	34.95	50.00	+15.05
Operating income (Operating income margin)	1.07 (3.1%)	3.00 (6%)	+1.93 (+2.9%)
Ordinary income	1.03	3.20	+2.17
Net income	0.64	1.90	+1.26
Overseas net sales (Ratio of overseas sales to net sales)	9.56 (27.3%)	2.50 (50%)	+15.44 (+22.7%)

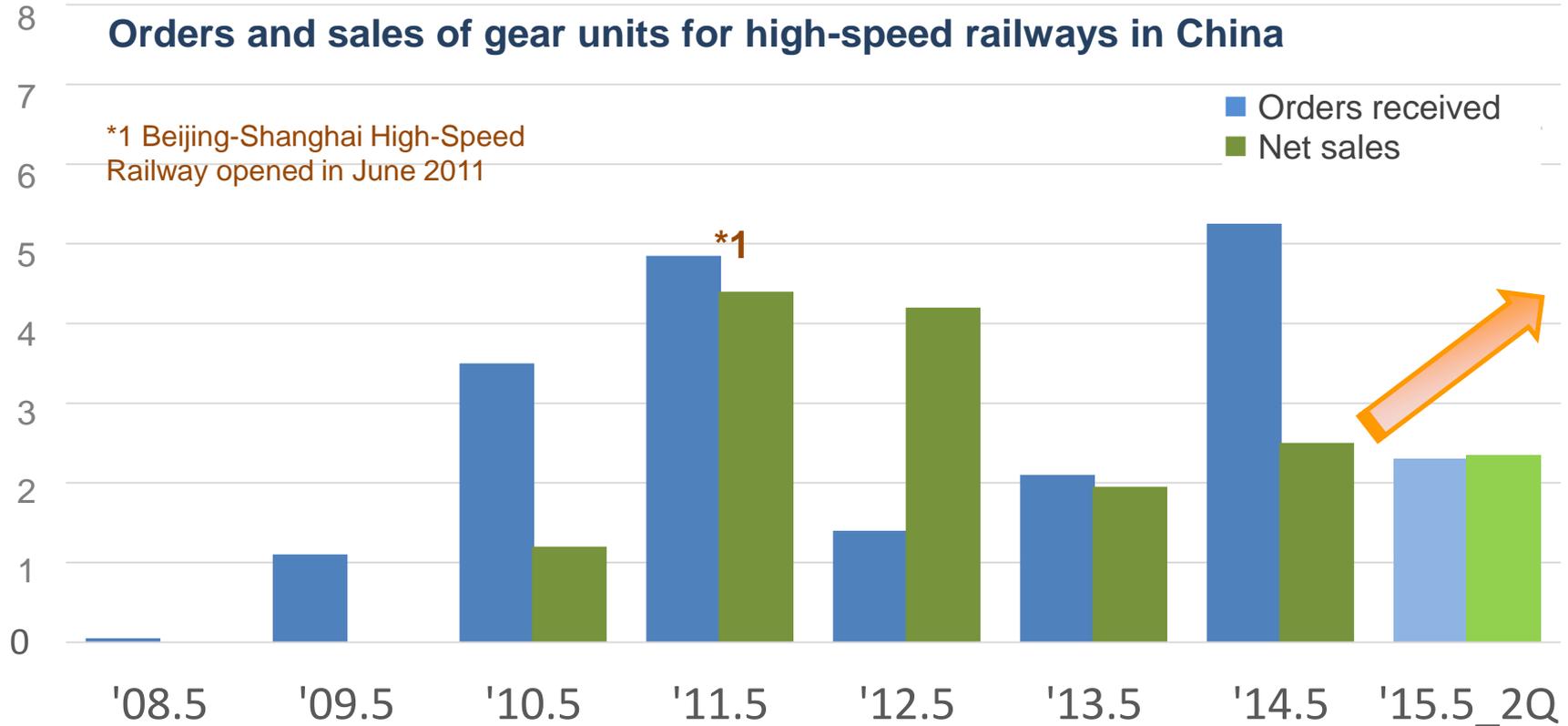
2-2. Strengthening International Competitiveness

(Transportation Systems)

The gear units for high-speed railways in China are doing well and contributing to the expansion of sales outside Japan.

- Orders received for gear units for high-speed railways in China have recovered.
- Increasing product lineup on gear units for applications such as for high speed (above 350 km/h), medium speed (250 to 350 km/h), and cold climate destinations

Billions
of yen



2-3. Strengthening International Competitiveness

(Transportation Systems)

Established a new local company for railway electrical equipment in China in anticipation of maintenance demand

■ Outline of the New Company

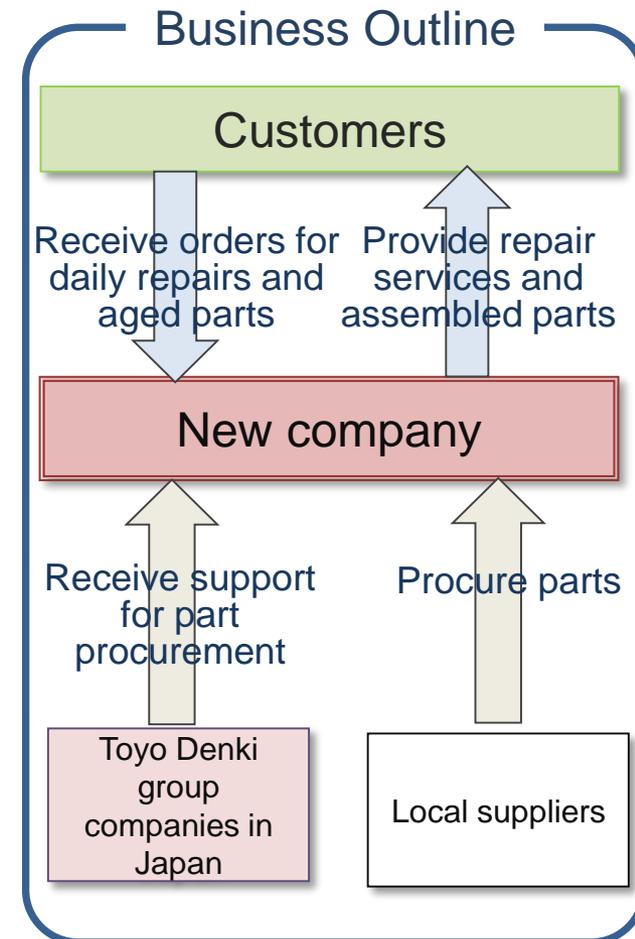
Name: Beijing Jingche Shuangyang Traction System Co., Ltd.
Location: Beijing Economic and Technological Development Area
Established: August 2014
Capital stock: CNY20 million
(50% capital from Toyo Denki Group)



New company building



Opening ceremony



Reference: Toyo Denki's Record on the Beijing Subway Network

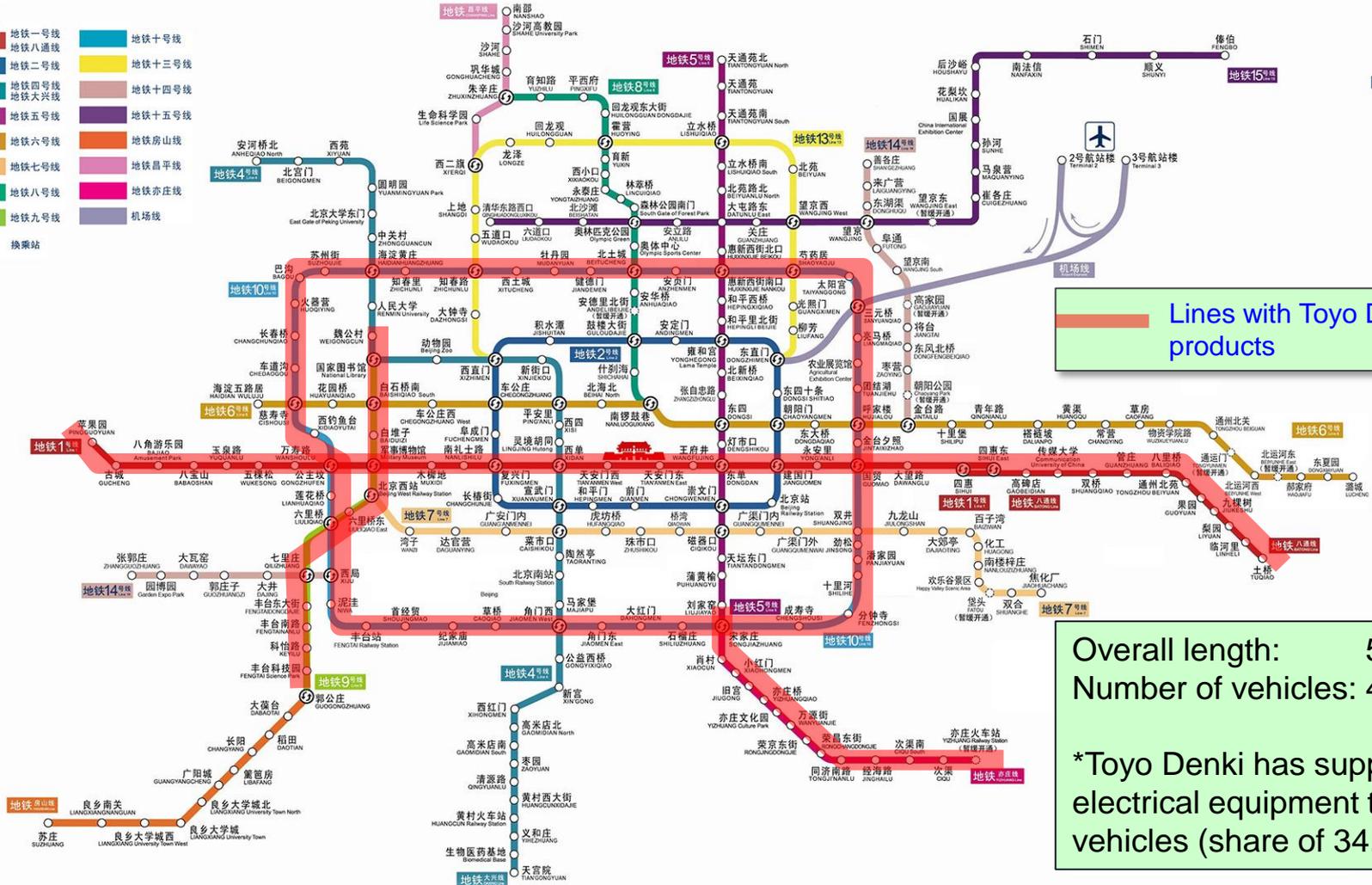
Toyo Denki has over a 30 percent share of the Beijing Subway Network in terms of electrical equipment, making for a promising outlook for maintenance business.

图例:
Legend

- 地铁一号线
- 地铁十号线
- 地铁八号线
- 地铁十三号线
- 地铁二号线
- 地铁十四号线
- 地铁四号线
- 地铁十五号线
- 地铁六号线
- 地铁房山线
- 地铁昌平线
- 地铁七号线
- 地铁亦庄线
- 地铁八号线
- 机场线
- 地铁九号线



换乘站



Lines with Toyo Denki products

Overall length: 527 km
 Number of vehicles: 4,586

*Toyo Denki has supplied its electrical equipment to 1,568 vehicles (share of 34.2%)

2-4. Strengthening International Competitiveness

(Transportation Systems)

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

1. Started shipment of electrical equipment for LRV for Los Angeles Metro

- Initial order amount: ¥2.6 billion (76 vehicles)
- With options, the project continues to 2019



Vehicle with Toyo Denki electrical components undergoing testing

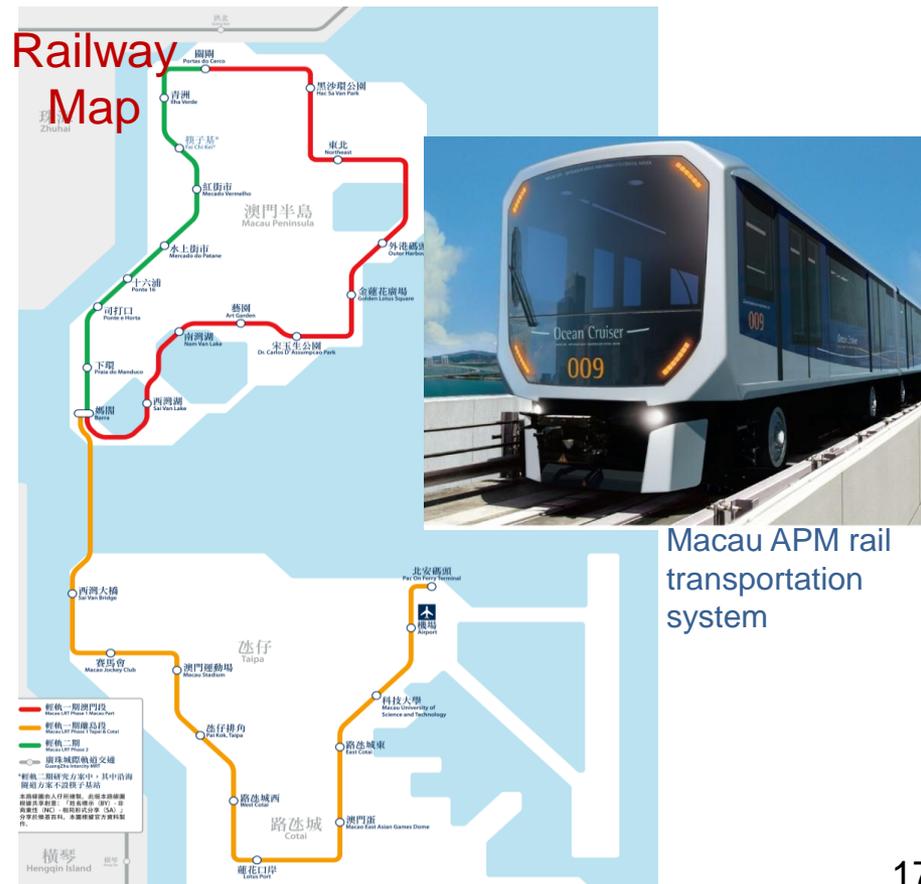
2. Developed new High Speed Circuit Breaker

- Joint development of new product with Hitachi, Ltd.



3. Expanded business in electrical equipment into the automated people mover (APM) segment: Shipment for Macau has started;

- order received from Orlando; other
- Macau APM: Total of 110 vehicles



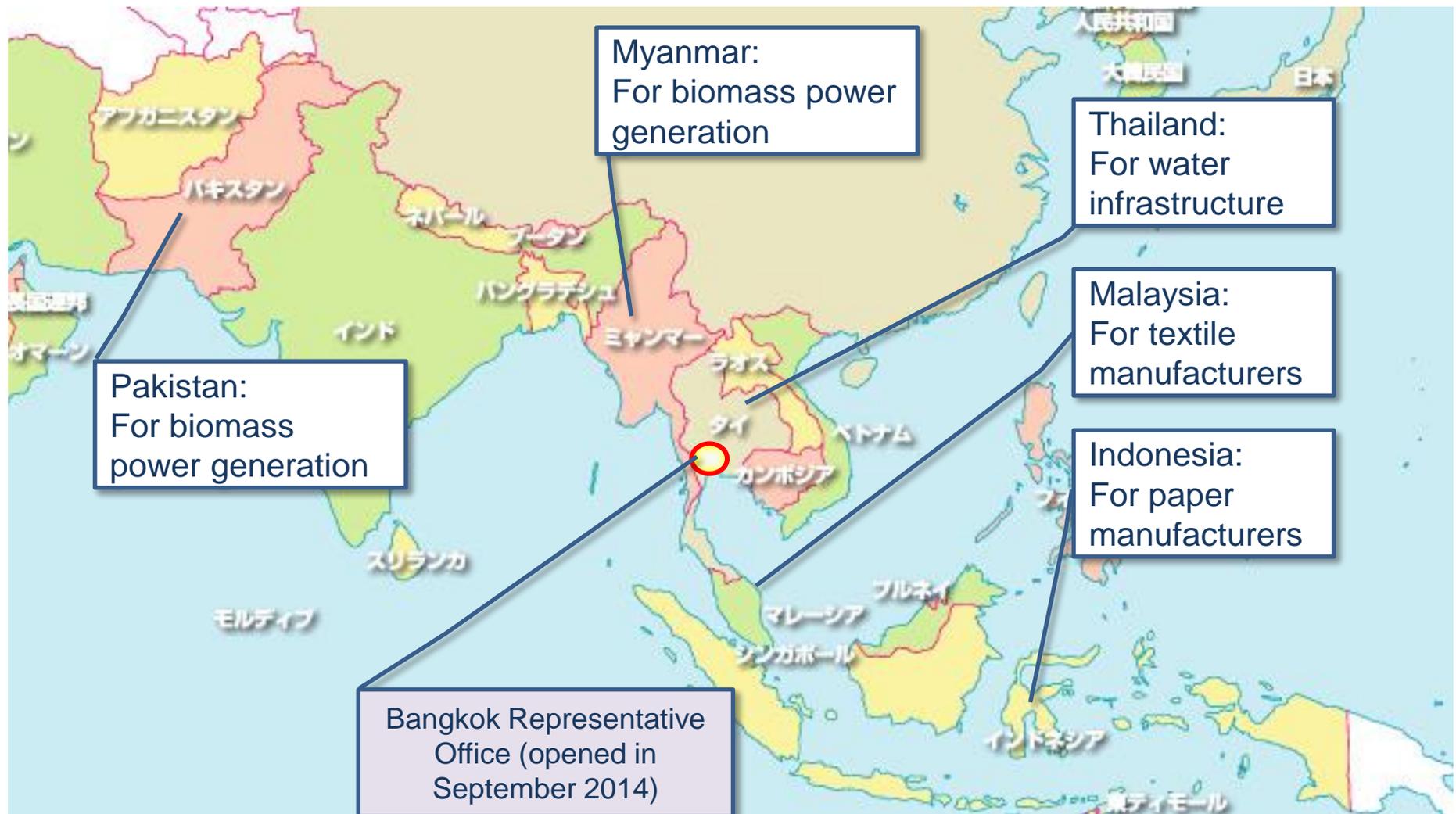
Macau APM rail transportation system

2-5. Strengthening International Competitiveness

- *NEXT100*

(Industrial Systems)

Expanded sales of industrial motors and inverters in Southeast Asia: Progress in many projects



2-6. Building a Stable Business Earnings Structure and Restructuring Production System

Promoted transformation of business structure and restructuring of production system to strengthen management foundation

<ul style="list-style-type: none">■ Building a stable business earnings structure	<ul style="list-style-type: none">• With Industrial Systems becoming profitable, the risk of corporate revenue fluctuation has been mitigated <p><i>*The first time in 7 fiscal years for Industrial Systems to become profitable</i></p>
<ul style="list-style-type: none">■ Restructuring production system	<ul style="list-style-type: none">• The production system has been structured to sustain sales of ¥50 billion in preparation for 2018, when Toyo Denki marks its next 100 years• Began investigation into a detailed plan for increasing production capability• Established global procurement system• Reorganized backbone systems
<ul style="list-style-type: none">■ Promoting development of technology	<ul style="list-style-type: none">• Achieved practical application of high speed motors that use permanent magnets (For testing equipment for automotive development)• Achieved practical application of SiC inverters for rail vehicles

3. Outlook for Fiscal 2014 Full Year Financial Results

3-1. Business Environment

Anticipation for business recovery differs depending on regions and industry segments:
 Toyo Denki to concentrate on winning high certainty projects

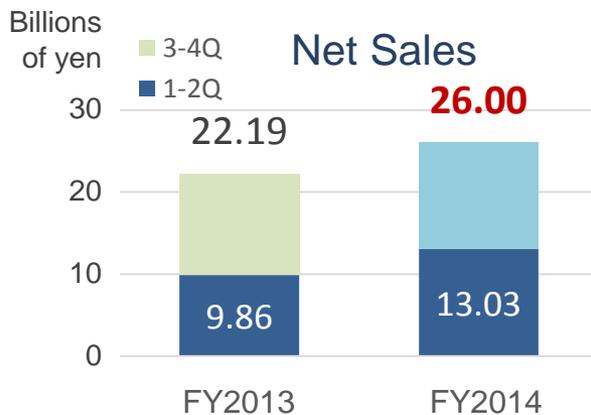
Market overall	Japan	Recovery due to improvement in financial environment, benefit of government economical measures, etc.
	Outside Japan	US: Continued upward momentum Asia: China is trending toward stable growth. Southeast Asia has strong appetite for investment.
Transportation Systems	Japan: Trending mainly around upgrade demands China: New vehicle demand still strong and gradual increase in demand for upgrades US: Gradual expansion Developing countries: Full swing movement toward railway infrastructure	
Industrial Systems	Japan: Searching for capital investment opportunities upon economic recovering trend Southeast Asia and developing countries: Expectation for capital investment trend to stay at current level	
Information Equipment Systems	Station operating equipment: Major upgrade events won't come until next period and beyond Remote monitoring systems: Potential need for power conservation, etc. Expectation for development from market formation.	

3-2. Segment Outlook: Transportation Systems

Proceed with current projects in and outside Japan and accelerate business explanation in China

Billions of yen

	FY2013		FY2014		YoY Change	
	1H [A]	Full Year [a]	1H [B]	Full Year Forecast [b]	1H [B]-[A]	Full Year [b]-[a]
Net sales	9.86	22.19	13.03	26.00	+3.17	+3.81
Segment income	1.06	2.37	1.35	2.80	+0.29	+430
Margin	(10.8%)	(10.7%)	(10.4%)	(10.8%)	(-0.4%)	(+0.1%)
Orders received	10.62	29.79	12.55	28.00	+1.93	-1.79



3-3. Segment Outlook: Industrial Systems

Increase efforts for business restructuring to ensure profitability

Billions of yen

	FY2013		FY2014		YoY Change	
	1H [A]	Full Year [a]	1H [B]	Full Year Forecast [b]	1H [B]-[A]	Full Year [b]-[a]
Net sales	5.33	10.92	5.66	12.60	+0.33	+1.68
Segment income	0.17	0.53	0.41	1.10	+0.24	+0.57
Margin	(3.2%)	(4.9%)	(7.3%)	(8.7%)	(+4.1%)	(+3.8%)
Orders received	6.59	11.09	6.45	15.50	-0.14	+4.41



3-4. Segment Outlook: Information Equipment Systems

Further expand sales for station operating equipment and remote monitoring systems

Billions of yen

	FY2013		FY2014		YoY Change	
	1H [A]	Full Year [a]	1H [B]	Full Year Forecast [b]	1H [B]-[A]	Full Year [b]-[a]
Net sales	0.63	1.82	0.36	1.40	-0.27	-0.42
Segment income	0.01	0.34	0.01	0.24	+0.0	-0.10
Margin	(2.7%)	(19.0%)	(4.9%)	(17.1%)	(+2.2%)	(-1.9%)
Orders received	1.03	1.67	0.58	1.50	-0.45	-0.17



3-5. Consolidated Financial Forecast for Fiscal 2014

Operating income is set at ¥1.8 billion based on the recent trends of each business

Billions of yen

	FY2013		FY2014		YoY Change	
	1H	Full Year	1H	Full Year Forecast	1H	Full Year
	[A]	[a]	[B]	[b]	[B]-[A]	[b]-[a]
Net sales	15.82	34.95	19.06	40.00	+3.24	+5.05
Operating income (%)	0.21 (1.3%)	1.07 (3.1%)	0.58 (3.1%)	1.80 (4.5%)	+0.37 (+1.8%)	+0.73 (+1.4%)
Ordinary income (%)	0.27 (1.7%)	1.03 (3.0%)	0.87 (4.6%)	2.10 (5.3%)	+0.60 (+2.9%)	+1.07 (+2.3%)
Net income (%)	0.05 (0.4%)	0.64 (1.8%)	0.51 (2.7%)	1.20 (3.0%)	+0.46 (+2.3%)	+0.56 (+1.2%)
Net income per share (yen)	1.20	13.37	10.69	24.89	+9.49	+11.52
Orders received	18.25	42.56	19.60	45.00	+1.35	+2.44

Thank you for your interest.

<http://www.toyodenki.co.jp/en/index.html>

Inquiries

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