

October 12, 2016

Summary of Consolidated Business Results for the First Quarter of Fiscal 2016

For the fiscal year ending May 31, 2017

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Scheduled date of submission of quarterly financial report: October 13, 2016
 Scheduled date of commencement of dividend payments: —
 Preparation of quarterly financial report supplemental explanatory materials: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

Note: Amounts less than one million yen in financial statements and the supplementary data are rounded down.

1. Consolidated Business Results for the First Quarter of Fiscal 2016

(June 1, 2016 to August 31, 2016)

(1) Consolidated Operating Results

(In millions of yen, except where noted; percentage figures show year-on-year increase or decrease.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
1Q Fiscal 2016	7,767	(12.1)%	(533)	—	(659)	—	(452)	—
1Q Fiscal 2015	8,837	22.8%	166	—	121	—	(40)	—

(Note) Comprehensive income: 1Q Fiscal 2016: (1,641) million yen [—%]
 1Q Fiscal 2015: (1,244) million yen [—%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
1Q Fiscal 2016	(9.45)	—
1Q Fiscal 2015	(0.85)	—

(2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of August 31, 2016	46,956	21,446	45.7
As of May 31, 2016	50,233	23,676	47.1

(Reference) Shareholders' equity: As of August 31, 2016: 21,446 million yen
 As of May 31, 2016: 23,676 million yen

2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
Fiscal 2015	—	0.00	—	6.00	6.00
Fiscal 2016	—	—	—	—	—
Fiscal 2016 (Forecast)	—	0.00	—	30.00	30.00

(Note) Revisions to the most recently announced dividend forecasts: Yes

* The Company plans to conduct a share consolidation of its common shares at the ratio of 5 shares to 1 share with an effective date of December 1, 2016. Therefore, the figure of the year-end dividend forecast for fiscal

2016 reflects the planned share consolidation. If the planned share consolidation were not taken into account, the year-end dividend forecast for fiscal 2016 would be 6 yen. For further details, please refer to “Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items 2.”

3. Consolidated Performance Forecast for Fiscal 2016 (June 1, 2016 to May 31, 2017)

(In millions of yen, except where noted; percentage figures show year-on-year increase or decrease.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share (Yen)
First half	20,000	6.7%	500	(18.3)%	400	(43.6)%	270	(42.9)%	28.00
Full year	43,000	8.2%	1,900	15.9%	1,800	20.6%	1,200	34.9%	124.50

(Note) Revisions to the most recently announced performance forecast: No

* The Company plans to conduct a share consolidation of its common shares at the ratio of 5 shares to 1 share with an effective date of December 1, 2016. Therefore, the figures of net income per share for the first half and full year reflect the planned share consolidation. For further details, please refer to “Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items 2.”

Notes:

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statement: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (a) Changes in accounting policies in accordance with revisions to accounting standards and related practices: Yes
 - (b) Any changes other than (a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Restatement: No
- (4) Shares outstanding (common stock)
 - (a) Number of shares outstanding as of the end of the period (including treasury stock):
August 31, 2016: 48,675,000 shares May 31, 2016: 48,675,000 shares
 - (b) Number of shares of treasury stock as of the end of the period:
August 31, 2016: 1,445,778 shares May 31, 2016: 493,478 shares
 - (c) Average number of shares for the period (fiscal year-to-date):
1Q Fiscal 2016: 47,901,644 shares 1Q Fiscal 2015: 48,189,394 shares

Statements Regarding the Implementation Status of Quarterly Review Procedures

This quarterly financial report is not subject to quarterly review procedures as prescribed under the Financial Instruments and Exchange Act. As of the date of quarterly financial report disclosure, quarterly review procedures for the quarterly financial statements pursuant to the aforementioned Act were not yet completed.

Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items

1. The forecasts of business results presented in this document are based on management’s assumptions and beliefs in light of currently available information. Toyo Denki Seizo K.K. (hereinafter Toyo Denki) cautions readers that due to a variety of factors actual results may differ materially from forecasts. Please refer to “Explanation of Consolidated Performance Forecast and Other Forward-looking Information” in Accompanying Materials on page 3 for details relating to operating results forecasts.

2. Following the approval of a share consolidation at the 155th annual general meeting of shareholders held on August 26, 2016, the Company plans to conduct a one-for-five share consolidation of its common shares with an effective date of December 1, 2016. If the planned share consolidation were not taken into account, the dividend forecast and consolidated performance forecast for fiscal 2016 would be as follows:

(1) Dividend forecast for fiscal 2016

Year-end: 6 yen

(2) Consolidated performance forecast for fiscal 2016

Net income per share

First half: 5.60 yen

Full year: 24.90 yen

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1. Qualitative Information regarding Quarterly Financial Results

(1) Explanation of Business Results

During the first quarter (June 1, 2016 to August 31, 2016) of fiscal 2016, the fiscal year ending May 31, 2017, with regard to the economic environment surrounding the Toyo Denki Group overseas, uncertainty about the economic outlook has intensified due to factors such as the slowdown in economic growth in China and ASEAN countries and Brexit, although the economy in the United States continued to recover. In Japan, corporations became more cautious with capital expenditures mainly due to uncertainty over the overseas economic outlook and the advance in the appreciation of the yen. Even under such circumstances, investments in railway infrastructure continued to be strong in China, ASEAN countries and Japan.

Under these circumstances, the Toyo Denki Group has been working in unison to thoroughly strengthen its management foundation and drastically improve its corporate value according to “Next 100: Beyond 100 years, Ver. 2,” the medium-term management plan ending in fiscal 2017.

The Toyo Denki Group’s performance in the first quarter of fiscal 2016 was as follows.

Orders received increased 6.7% compared with the corresponding period of the previous fiscal year to 10,848 million yen. This overall result reflected increases in orders received in the Industrial Systems segment and the Information Equipment Systems segment, despite a decrease in orders in the Transportation Systems segment.

Net sales decreased 12.1% year on year to 7,767 million yen mainly due to a decrease in the Industrial Systems segment.

From a profit perspective, operating income decreased 700 million yen compared with the corresponding period of the previous fiscal year, and recorded a 533 million yen loss, due to decreased profit in the Transportation Systems segment and the Industrial Systems segment. Primarily due to the posting of loss on foreign currency exchange of 214 million yen from a progressively stronger yen, ordinary income decreased 781 million yen, recording a 659 million yen loss, and net income attributable to owners of the parent decreased 411 million yen to record a 452 million yen loss.

Information by business segment is presented as follows.

Transportation Systems

Orders received decreased 8.9% compared with the corresponding period of the previous fiscal year to 6,975 million yen, reflecting a temporary delay in part of orders from outside Japan, despite an upturn in Japan mainly due to demand ahead of the Olympic Games to be held in 2020.

Net sales in this segment totaled 5,711 million yen, a 5.1% decrease from the corresponding period of the previous year, due to a decrease outside Japan, despite an increase in Japan.

Segment profit decreased 49.0% compared with the corresponding period of the previous fiscal year to 308 million yen.

Industrial Systems

Orders received increased 17.6% compared with the corresponding period of the previous fiscal year to 2,802 million yen, due to increased orders outside Japan, despite decreased orders for testing equipment for automotive development.

Net sales decreased 28.1% year on year to 1,897 million yen, due to decreases in sales of testing equipment for automotive development, processing equipment and printing equipment.

Segment profit was a 148 million yen loss, a decrease of 285 million yen compared with the corresponding period of the previous fiscal year.

Information Equipment Systems

Orders received in this segment increased 758.2% to 1,067 million yen, due to an increase in railway station operating equipment.

Net sales in this segment decreased 12.1% year on year to 157 million yen due to a decrease in sales of railway station operating equipment.

Segment profit totaled 2 million yen, an increase of 3 million yen compared with the corresponding period of the previous fiscal year.

Note: Net sales data by business segment represents sales to third parties and is exclusive of inter-segment sales and transfers.

(2) Explanation of Financial Position

Total assets as of August 31, 2016 stood at 46,956 million yen, a decrease of 3,277 million yen compared with the end of the previous fiscal year. Despite an increase in inventories of 482 million yen, the decrease in total assets was largely attributable to factors such as decreases in investment securities of 1,644 million yen resulting from a decrease in the market price of held listed securities, cash and cash equivalents of 957 million yen and trade notes and accounts receivable of 1,557 million yen.

Total liabilities as of August 31, 2016 amounted to 25,510 million yen, a decrease of 1,046 million yen compared with the previous fiscal year end. Despite an 837 million yen increase in borrowings and a 225 million yen increase in reserve for order losses, the decrease in total liabilities was largely attributable to decreases in trade notes and accounts payable of 1,207 million yen and deferred tax liabilities of 488 million yen.

Net assets as of August 31, 2016 stood at 21,446 million yen, a decrease of 2,230 million yen compared with the end of the previous fiscal year. This decrease was largely attributable to a 1,143 million yen decrease in unrealized holding gain on available-for-sale securities and a 741 million yen decrease in retained earnings.

(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

We have made no revision to the “Consolidated Performance Forecast for Fiscal 2016” announced on July 12, 2016.

2. Items regarding Summary Information (Notes)

(1) Transfer of Major Subsidiaries during the Period
Not applicable

(2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements
Not applicable

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

Changes in Accounting Policies

In accordance with revisions of the Corporation Tax Law, in the first quarter of fiscal 2016, the Company has applied the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32, June 17, 2016), and changed the depreciation method of facilities attached to buildings and structures acquired on and after June 1, 2016 from the declining-balance method to the straight-line method. The effect of this change on operating loss, ordinary loss and loss before income taxes for the three months ended August 31, 2016 is immaterial.

(4) Additional Information

Effective from the first quarter of fiscal 2016, the Company has applied the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016).

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2016	End of the First Quarter of Fiscal 2016 (August 31, 2016)
Assets		
Current assets		
Cash and cash equivalents	2,401	1,444
Trade notes and accounts receivable	13,790	12,232
Electronically recorded monetary claims - operating	965	871
Products and finished goods	1,490	1,827
Work in process	3,172	3,362
Raw materials and stored goods	2,657	2,613
Advances	26	39
Deferred tax assets	517	778
Other accounts receivable	273	277
Other	229	365
Allowance for doubtful accounts	(2)	(2)
Total current assets	25,520	23,809
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,171	7,300
Accumulated depreciation	(4,536)	(4,592)
Buildings and structures, net	2,634	2,707
Machinery and equipment	6,728	6,749
Accumulated depreciation	(6,013)	(6,064)
Machinery and equipment, net	715	684
Land	289	289
Construction in progress	269	290
Other	3,281	3,311
Accumulated depreciation	(2,828)	(2,868)
Other, net	452	442
Total property, plant and equipment	4,361	4,415
Intangible assets		
Software	199	196
Software in progress	333	397
Other	11	11
Total intangible assets	544	605
Investments and other assets		
Investment securities	17,396	15,751
Deferred tax assets	55	62
Other	2,368	2,323
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	19,807	18,126
Total fixed assets	24,712	23,147
Total assets	50,233	46,956

(Millions of yen)

	As of May 31, 2016	End of the First Quarter of Fiscal 2016 (August 31, 2016)
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,742	2,534
Electronically recorded obligations - operating	5,277	5,386
Short-term debt	1,017	1,901
Income taxes payable	253	66
Consumption and other taxes payable	87	62
Accrued expenses	1,250	1,080
Advances received	82	112
Deposits received	221	338
Reserve for directors' bonuses	37	11
Reserve for employees' bonuses	928	512
Reserve for order losses	294	520
Other	389	523
Total current liabilities	13,583	13,050
Long-term liabilities		
Long-term debt	7,288	7,242
Long-term payables	157	157
Net defined benefit liability	3,852	3,873
Deferred tax liabilities	1,636	1,148
Other	37	37
Total long-term liabilities	12,972	12,459
Total liabilities	26,556	25,510
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	9,298	8,557
Treasury stock	(175)	(475)
Total shareholders' equity	17,299	16,257
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	6,469	5,325
Foreign currency translation adjustments	260	201
Remeasurements of defined benefit plans	(351)	(338)
Total accumulated other comprehensive income	6,377	5,188
Total net assets	23,676	21,446
Total liabilities and net assets	50,233	46,956

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income for the First Quarter of Fiscal 2016)

(Millions of yen)

	1Q FY2015 (June 1, 2015 to August 31, 2015)	1Q FY2016 (June 1, 2016 to August 31, 2016)
Net sales	8,837	7,767
Cost of sales	6,852	6,368
Gross profit	1,985	1,398
Selling, general and administrative expenses	1,818	1,932
Operating income (loss)	166	(533)
Non-operating income		
Interest income	0	0
Dividend income	110	105
Equity in profit of unconsolidated subsidiaries and affiliates	-	5
Miscellaneous income	10	7
Total non-operating income	120	118
Non-operating expenses		
Interest expense	29	27
Equity in loss of unconsolidated subsidiaries and affiliates	7	-
Loss on disposal of fixed assets	0	0
Loss on foreign currency exchange	124	214
Miscellaneous loss	3	1
Total non-operating expenses	164	244
Ordinary income (loss)	121	(659)
Extraordinary loss		
Loss on sales of fixed assets	-	23
Total extraordinary losses	-	23
Income (loss) before income taxes	121	(683)
Income taxes:		
Current	44	27
Deferred	118	(257)
Total income taxes	162	(230)
Net loss	(40)	(452)
Net loss attributable to owners of the parent	(40)	(452)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	1Q FY2015 (June 1, 2015 to August 31, 2015)	1Q FY2016 (June 1, 2016 to August 31, 2016)
Net loss	(40)	(452)
Other comprehensive income		
Unrealized holding loss on available-for-sale securities	(1,243)	(1,143)
Foreign currency translation adjustments	26	4
Remeasurements of defined benefit plans	11	12
Share of other comprehensive income of affiliates to which the equity method is applied	1	(63)
Total other comprehensive income	(1,203)	(1,189)
Comprehensive income	(1,244)	(1,641)
Comprehensive income attributable to:		
Owners of the parent	(1,244)	(1,641)
Non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Fluctuations in Shareholders' Equity)

Not applicable.

(Segment Information)

First Quarter of Fiscal 2015 (June 1, 2015 to August 31, 2015)

Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statements of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	6,020	2,637	178	1	8,837	—	8,837
Inter-segment sales and transfers	0	0	—	137	138	(138)	—
Total	6,020	2,637	178	139	8,976	(138)	8,837
Segment profit (loss)	604	137	(1)	5	745	(579)	166

Notes:

1. The "Other" segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit (loss) adjustment amount is a loss of 579 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 1 million yen and corporate expenditure (a loss of 577 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses as well as research and development costs that are not allocated to each reporting segment.
3. Segment profit (loss) has been adjusted with operating income recorded under the quarterly consolidated statements of income.

First Quarter of Fiscal 2016 (June 1, 2016 to August 31, 2016)
Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statements of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	5,711	1,897	157	1	7,767	—	7,767
Inter-segment sales and transfers	1	0	—	161	163	(163)	—
Total	5,713	1,897	157	163	7,930	(163)	7,767
Segment profit (loss)	308	(148)	2	11	173	(707)	(533)

Notes:

1. The “Other” segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit (loss) adjustment amount is a loss of 707 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 0 million yen and corporate expenditure (a loss of 706 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses as well as research and development costs that are not allocated to each reporting segment.
3. Segment profit (loss) has been adjusted with operating loss recorded under the quarterly consolidated statements of income.

4. Supporting Materials for the Financial Results

(1) The Status of Production, Orders, and Sales

(a) Production Status

Business segment	1Q FY2015 (June 1, 2015 to August 31, 2015)		1Q FY2016 (June 1, 2016 to August 31, 2016)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	6,298	72.9	5,932	73.7
Industrial Systems	2,191	25.4	2,009	25.0
Information Equipment Systems	149	1.7	102	1.3
Other	—	—	—	—
Total	8,640	100.0	8,044	100.0

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.

(b) Status of Orders Received

Business segment	1Q FY2015 (June 1, 2015 to August 31, 2015)		1Q FY2016 (June 1, 2016 to August 31, 2016)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	7,657	26,215	6,975	25,442
Industrial Systems	2,383	6,380	2,802	6,934
Information Equipment Systems	124	43	1,067	1,423
Other	1	—	1	—
Total	10,166	32,639	10,848	33,800

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.

(c) Sales Status

Business segment	1Q FY2015 (June 1, 2015 to August 31, 2015)		1Q FY2016 (June 1, 2016 to August 31, 2016)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	6,020	68.1	5,711	73.5
Industrial Systems	2,637	29.8	1,897	24.4
Information Equipment Systems	178	2.0	157	2.0
Other	1	0.0	1	0.0
Total	8,837	100.0	7,767	100.0

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.