
Financial Results Briefing

Fiscal 2016 (Ended May 31, 2017)

July 13, 2017

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- Briefing on Financial Results: 25 minutes
 1. Overview of Financial Results for Fiscal 2016
 2. Consolidated Financial Forecast for Fiscal 2017
 3. Current Status of the Medium-term Management Plan: “NEXT 100 : Beyond 100 years, Ver. 2”

- Q&A: 30 minutes

1. Overview of Financial Results for Fiscal 2016 (June 1, 2016 – May 31, 2017)

1-1. Overview of Consolidated Financial Results

Both sales and profits were largely in line with previously announced forecasts.

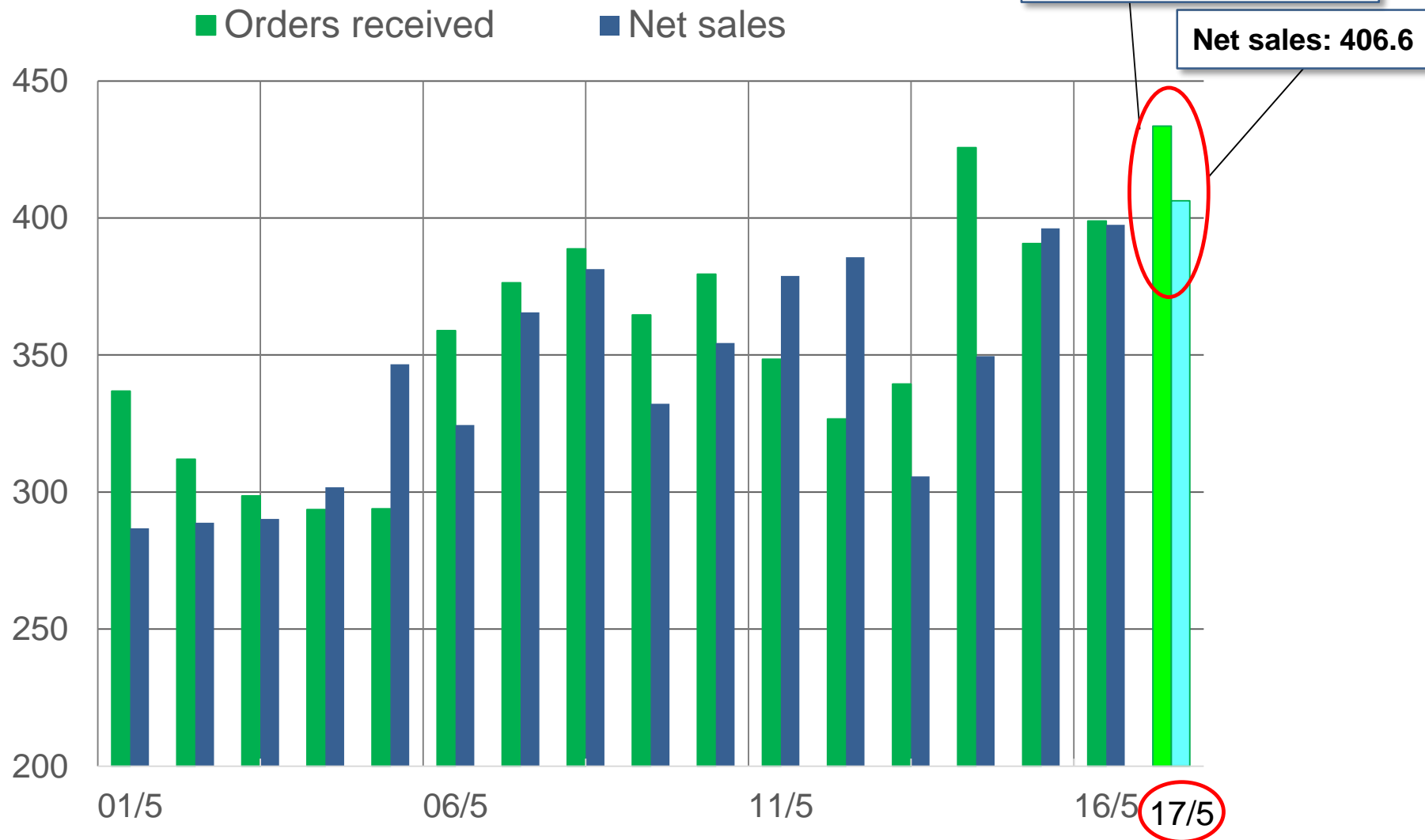
(100 million yen)

	FY2015	FY2016	YoY change		Published figures
				(%)	
Net sales	397.4	406.6	+9.2	+2.3%	410.0
Operating income (%)	16.3 (4.1%)	15.7 (3.9%)	-0.6 (-0.2%)	-4.1% —	16.0
Ordinary income	14.9	16.6	+1.7	+11.5%	17.0
Net income	8.8	11.7	+2.8	+32.0%	11.0
[Net income per share (yen)]	92.33	123.87	+31.54	—	
ROE	3.7%	4.9%	+1.2%	—	
Orders received	398.9	433.5	+34.6	+8.7%	420.0
Ratio of overseas sales to net sales	31.8%	31.1%	-0.7%	—	

- Net sales and orders received: Record highs since 2000.
- Operating income: Unchanged year on year.
- Net income: Achieved more than 30% increase YoY.

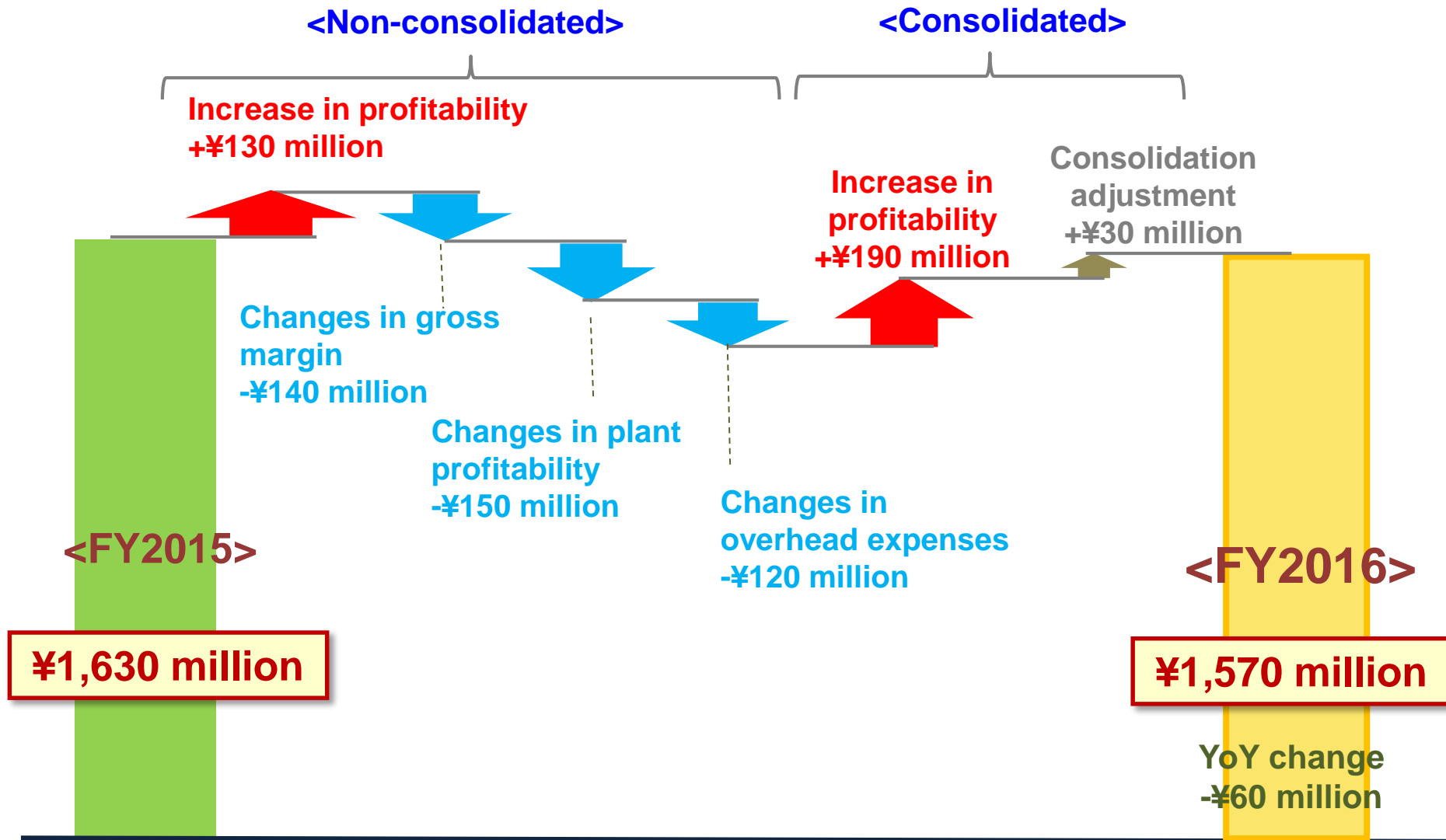
Trends of Consolidated Orders Received and Net Sales

100 million yen



1-2. Factors Contributing to YoY Changes in Operating Income

Non-consolidated operating income decreased YoY due to declines in gross margin and plant profitability, but operating income at subsidiaries increased YoY.



1-3. Non-operating Profit and Loss

**Non-operating income
+¥90 million**

<Breakdown>

- Dividend income +¥220 million
- Interest expenses -¥120 million
- Equity in gain of equity-method investments +¥60 million
- Other +¥20 million
- Loss on foreign currency exchange -¥10 million
- Commission, etc. for new loans -¥80 million

Income tax, other

¥1,570 million

¥1,660 million

¥1,170 million

Operating income



Ordinary income



Net income

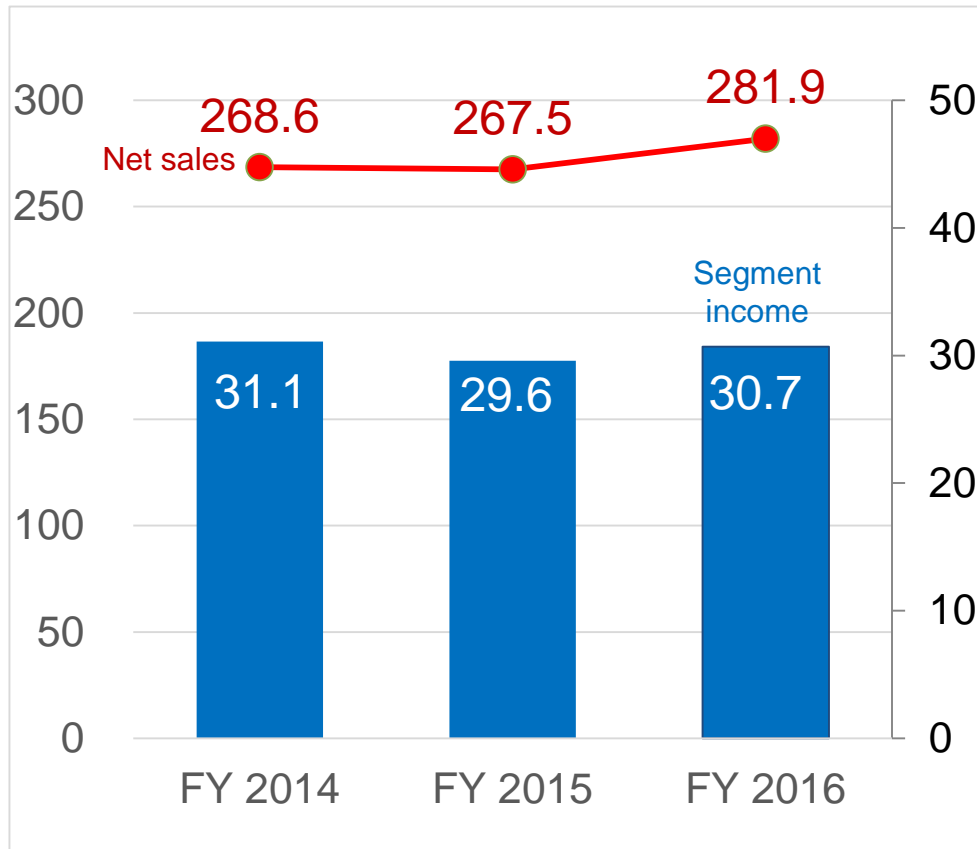
Note: Currency exchange rates

- End of May 2016: ¥110.94/USD 1.00
- End of May 2017: ¥110.96/USD 1.00

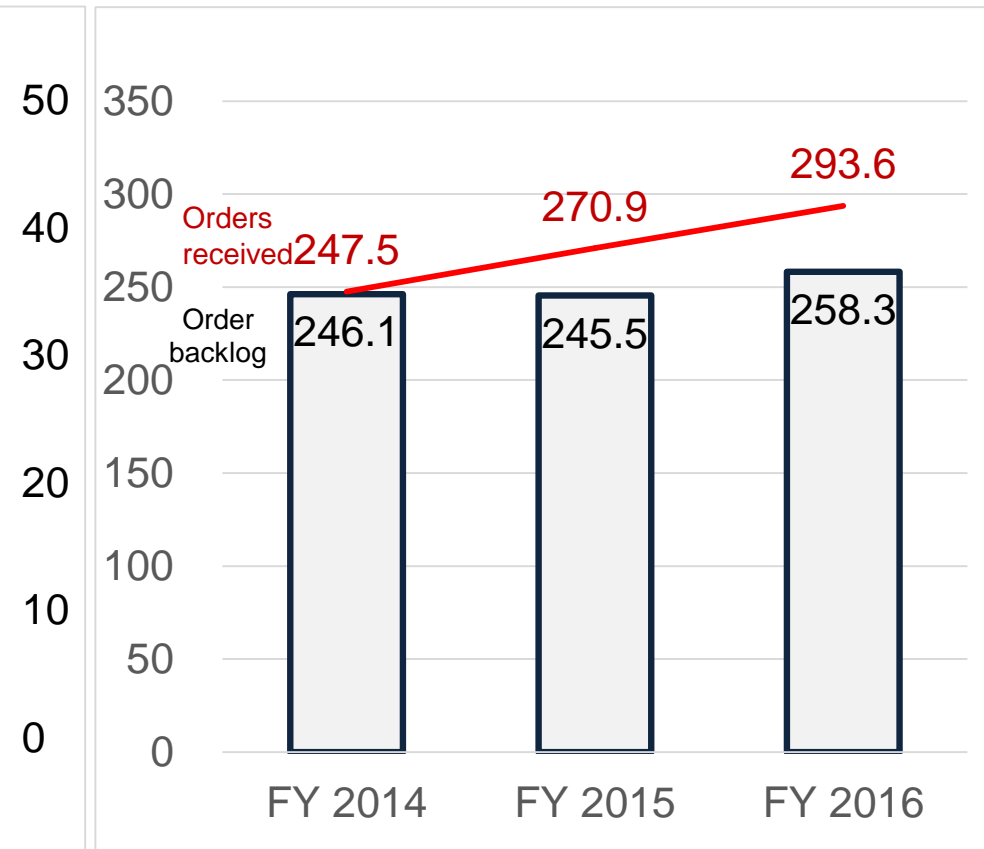
1-4. Segment Performance: **Transportation Systems**

Net sales, segment income, and orders received increased YoY as a result of capturing strong domestic upgrade demand.

■ Net Sales and Segment Income

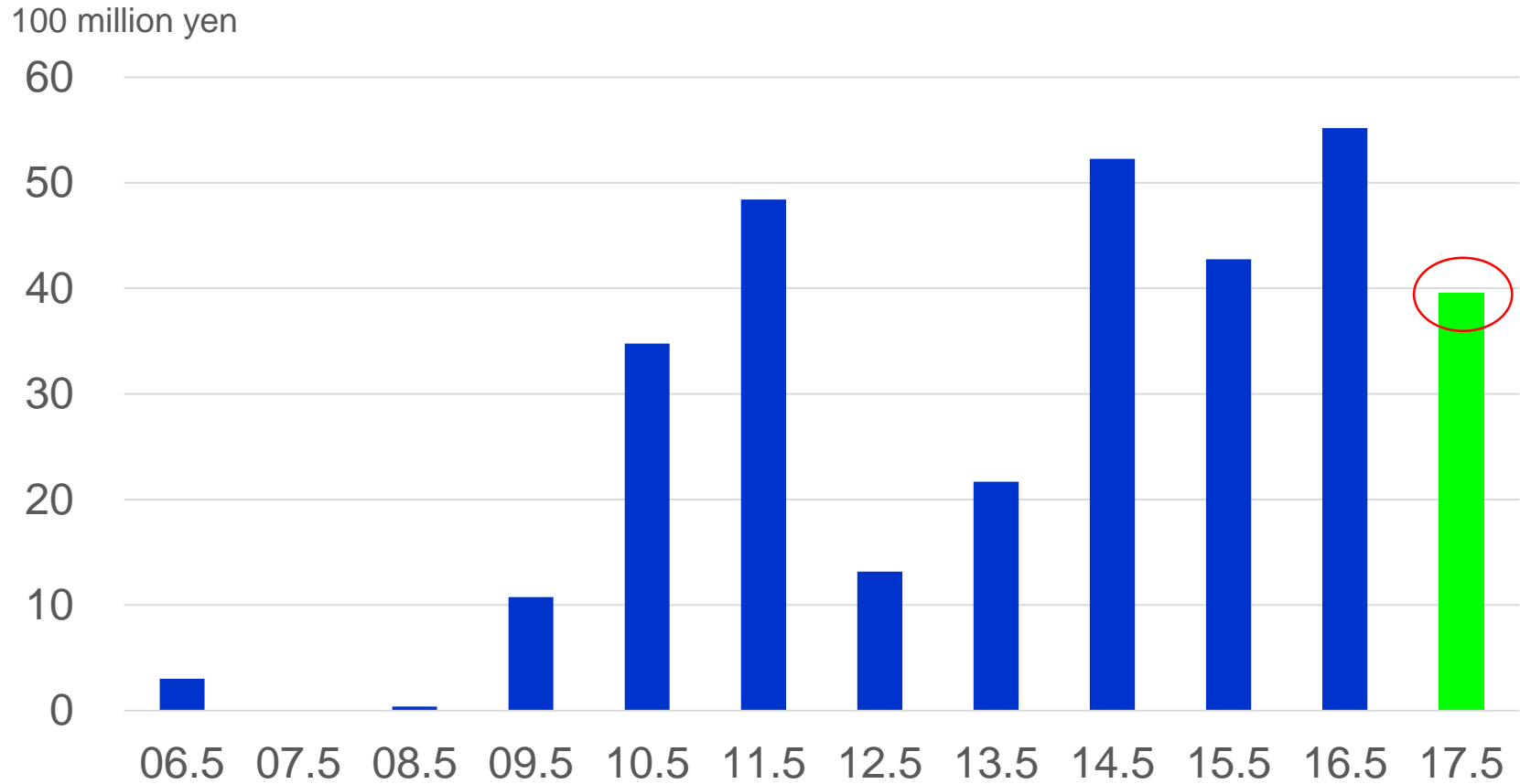


■ Orders Received and Order Backlog (100 million yen)



- Chinese high-speed railways are in a period of transition to standard-gauge trains.
- Orders received for domestic private railway projects increased significantly.
- Strong orders at subsidiaries (door operating equipment for buses in Japan) also contributed to the growth of segment income.

Trends of Orders Received for High-speed Railways in China

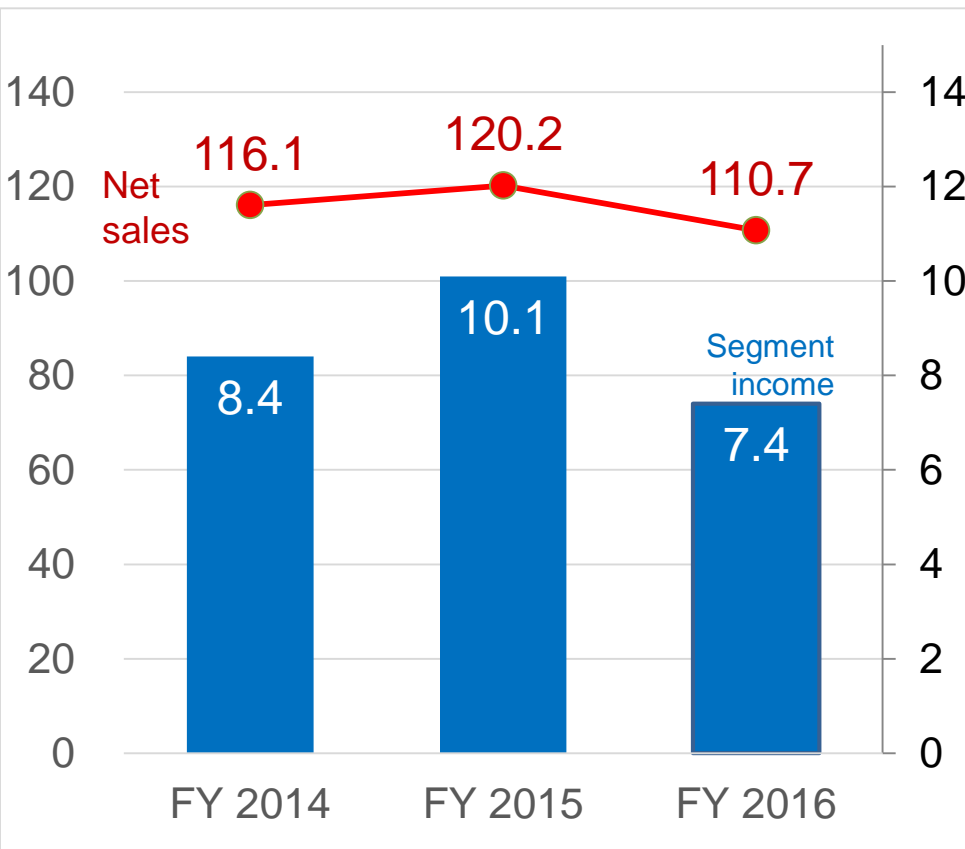


Period of transition to standard-gauge trains

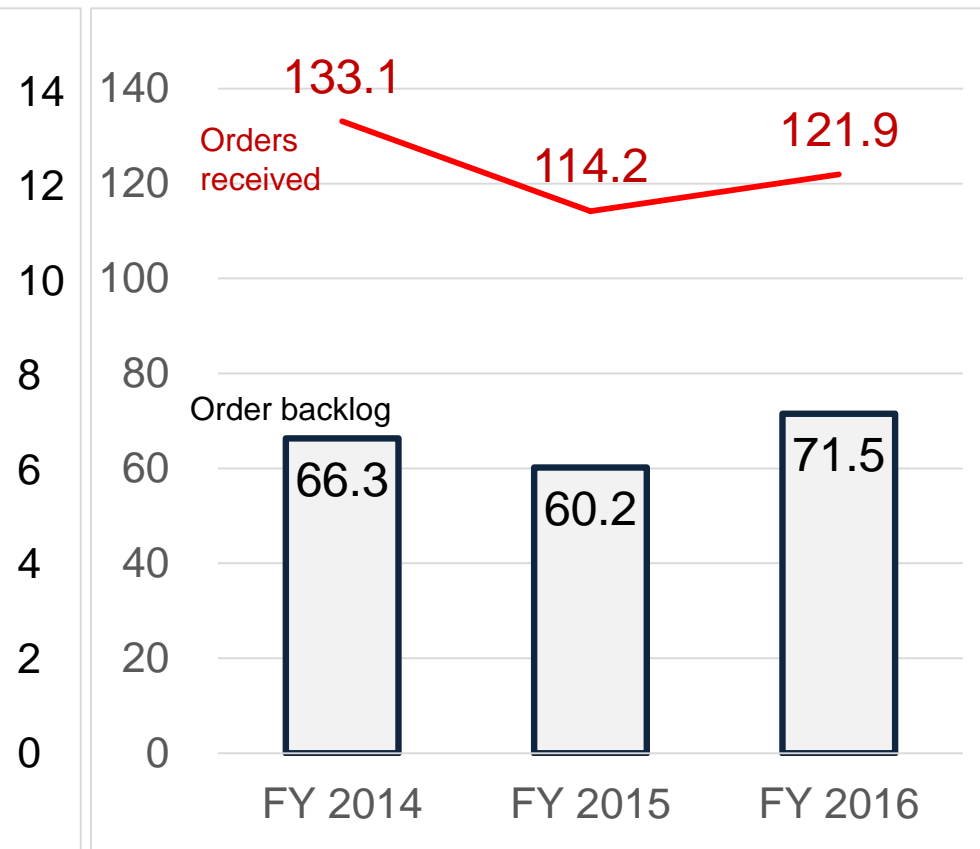
1-5. Segment Performance: Industrial Systems

Segment income declined significantly due to the effects of adapting to design changes in testing equipment (in 1Q).

■ Net Sales and Segment Income



■ Orders Received and Order Backlog (100 million yen)

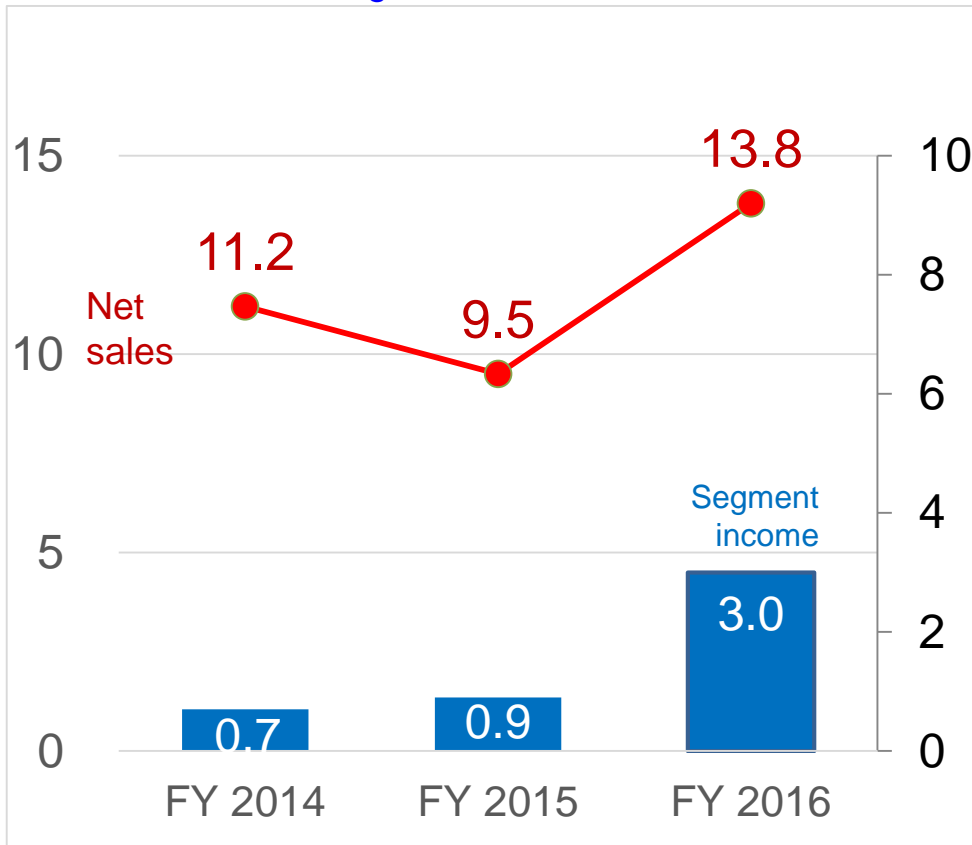


- Design man-hours increased sharply due to the development of multi-function testing equipment in 1Q.
- Orders received recovered for processing machines and expanded for overseas projects (power generators).

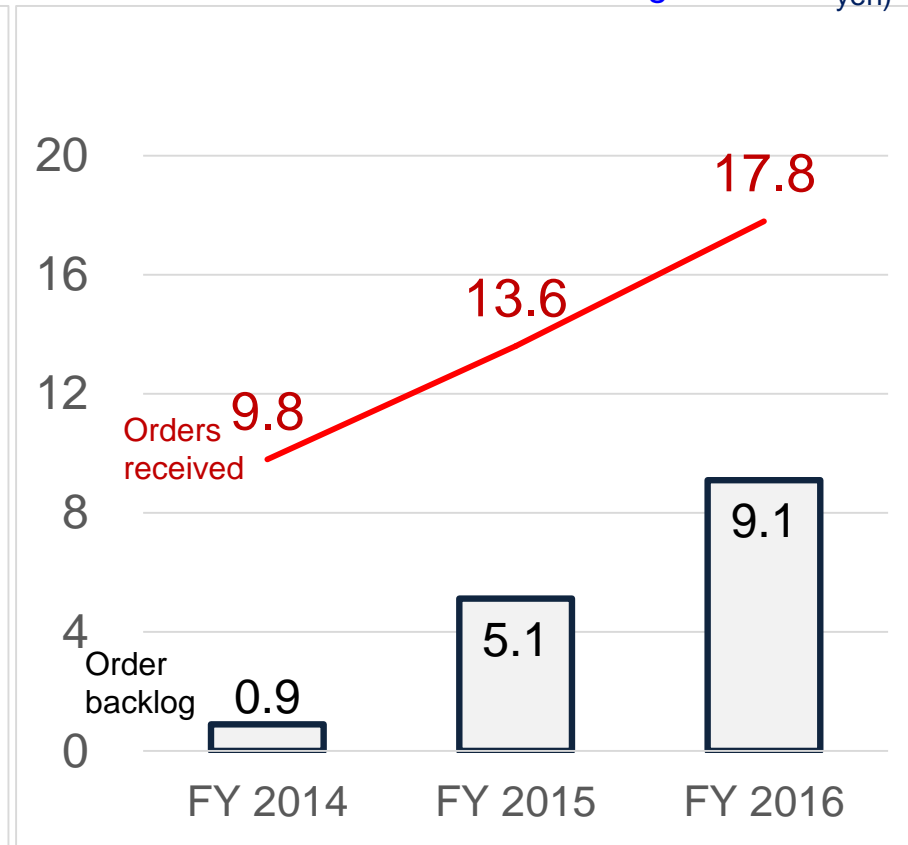
1-6. Segment Performance: Information Equipment Systems

Large-scale projects for station operating equipment contributed to sales increase and sharp segment income growth.

■ Net Sales and Segment Income



■ Orders Received and Order Backlog (100 million yen)



- New types of complex ticket machine contributed significantly to earnings.
⇒ Also received new order in FY2017.

1-7. Consolidated Financial Position

Measures for restructuring the production system made progress.

(100 million yen)

	May 31, 2016	May 31, 2017	YoY change	Main factors contributing to YoY change
Total assets	502	549	+47	
Current assets	255	258	+3	
Fixed assets	247	291	+44	Property, plant and equipment: +33 (New Shiga Ryuo Works) Software: +5 (New mission-critical system)
Total liabilities	265	303	+38	
Of which, interest-bearing debt	83	117	+34	Related to the new Shiga Ryuo Works
Net assets	236	246	+10	Retained earnings: +9, Treasury stocks: -3, Unrealized holding gain on available-for-sale securities: +4
<i>Equity ratio</i>	<i>47.1%</i>	<i>44.8%</i>	<i>-2.3%</i>	

2. Consolidated Financial Forecast for Fiscal 2017

2-1. Consolidated Financial Forecast for Fiscal 2017

Net sales and orders received are forecast at ¥43.0 billion and ¥46.0 billion, respectively.

(100 million yen)

	FY2016 (Results)		FY2017 (Forecast)		YoY change	NEXT100 -Ver2 FY2017 (Full year)
	2Q	Full year	2Q	Full year	Full year	
Net sales	181.4	406.6	195.0	430.0	+23.4	460.0
Operating income (%)	1.7	15.7 (3.9%)	2.0	17.0 (4.0%)	+1.3	24.0 (5.2%)
Ordinary income	3.3	16.6	3.0	19.0	+2.4	25.0
Net income [Net income per share (yen)]	2.3	11.7 123.87	3.0	15.0 158.24	+3.3 +34.37	17.0
Dividend per share		30.0		30.0		
Orders received	209.2	433.5	210.0	460.0	+26.5	
Year-end order backlog		338.9				

2-2. Segment Outlook

(100 million yen)

		Transportation Systems	Industrial Systems	Information Equipment Systems
FY2017 (Full year forecast)	Net sales	295.0	115.0	20.0
	Segment income	32.0	9.0	3.0
	Orders received	310.0	130.0	20.0
YoY Change	Net sales	+13.1	+4.3	+6.2
	Segment income	+1.2	+1.6	0.0
	Orders received	+16.4	+8.1	+2.2

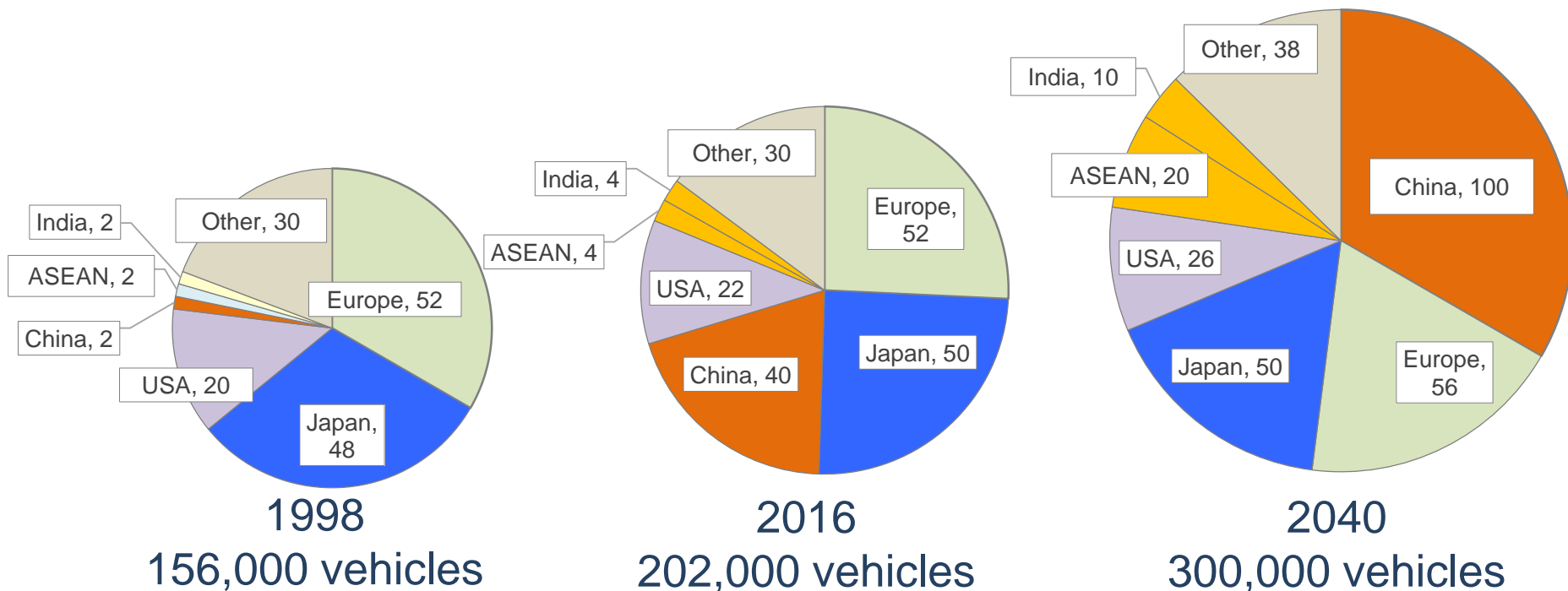
3. Current Status of the Medium-term
Management Plan:
“NEXT 100 :Beyond 100 years, Ver. 2”

3-1. Strengthening International Competitiveness

(Transportation Systems)

Growth in China will drive market expansion. The ASEAN and India market is projected to expand gradually.

■ Trends of vehicle stock globally (estimates)

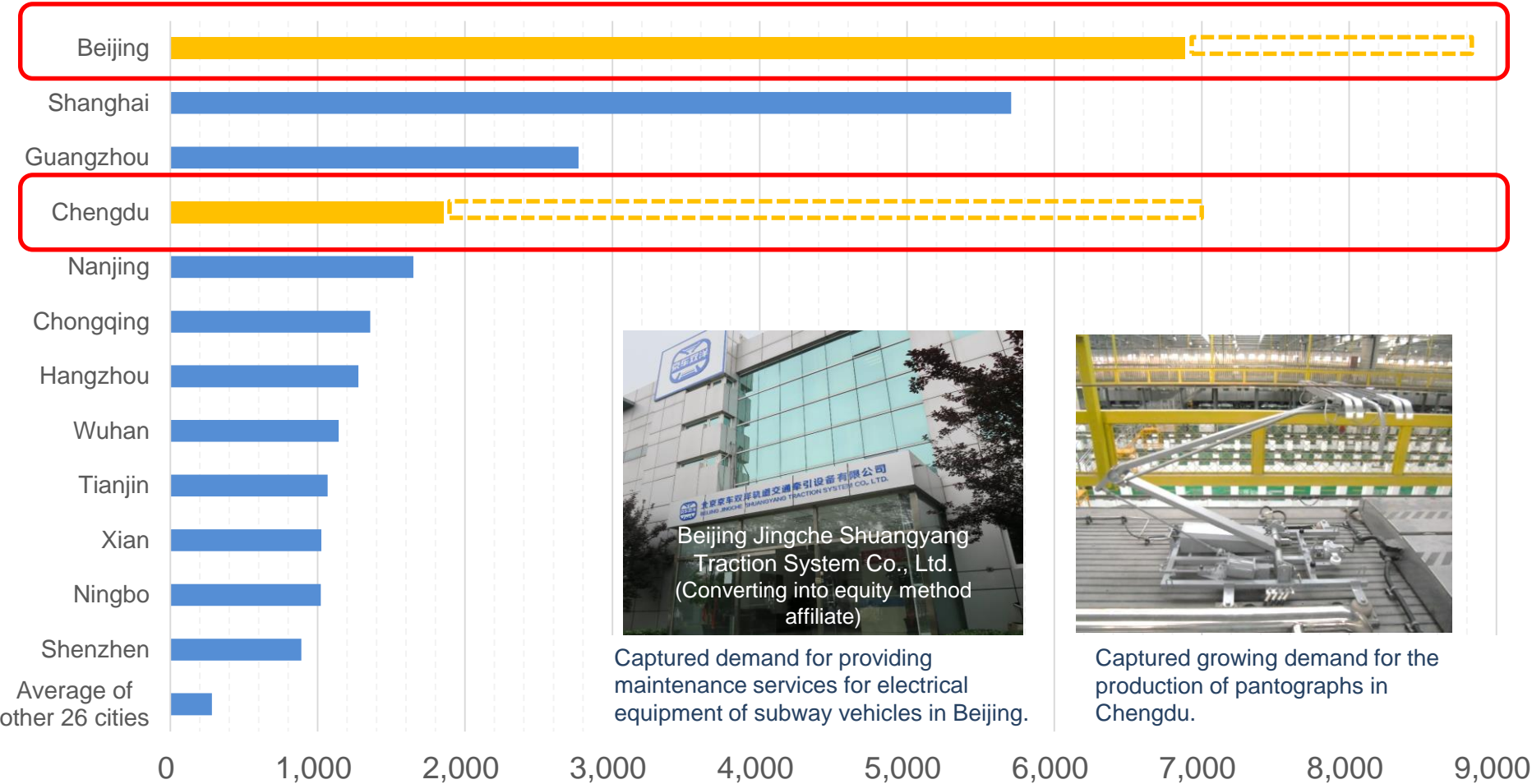


3-1. Strengthening International Competitiveness

(Transportation Systems)

Make efforts to expand the subway business in China focusing on Beijing and Chengdu.

Vehicle stock by city (Present estimate; dotted line indicates forecast)



Captured demand for providing maintenance services for electrical equipment of subway vehicles in Beijing.



Captured growing demand for the production of pantographs in Chengdu.

Vehicles

3-1. Strengthening International Competitiveness

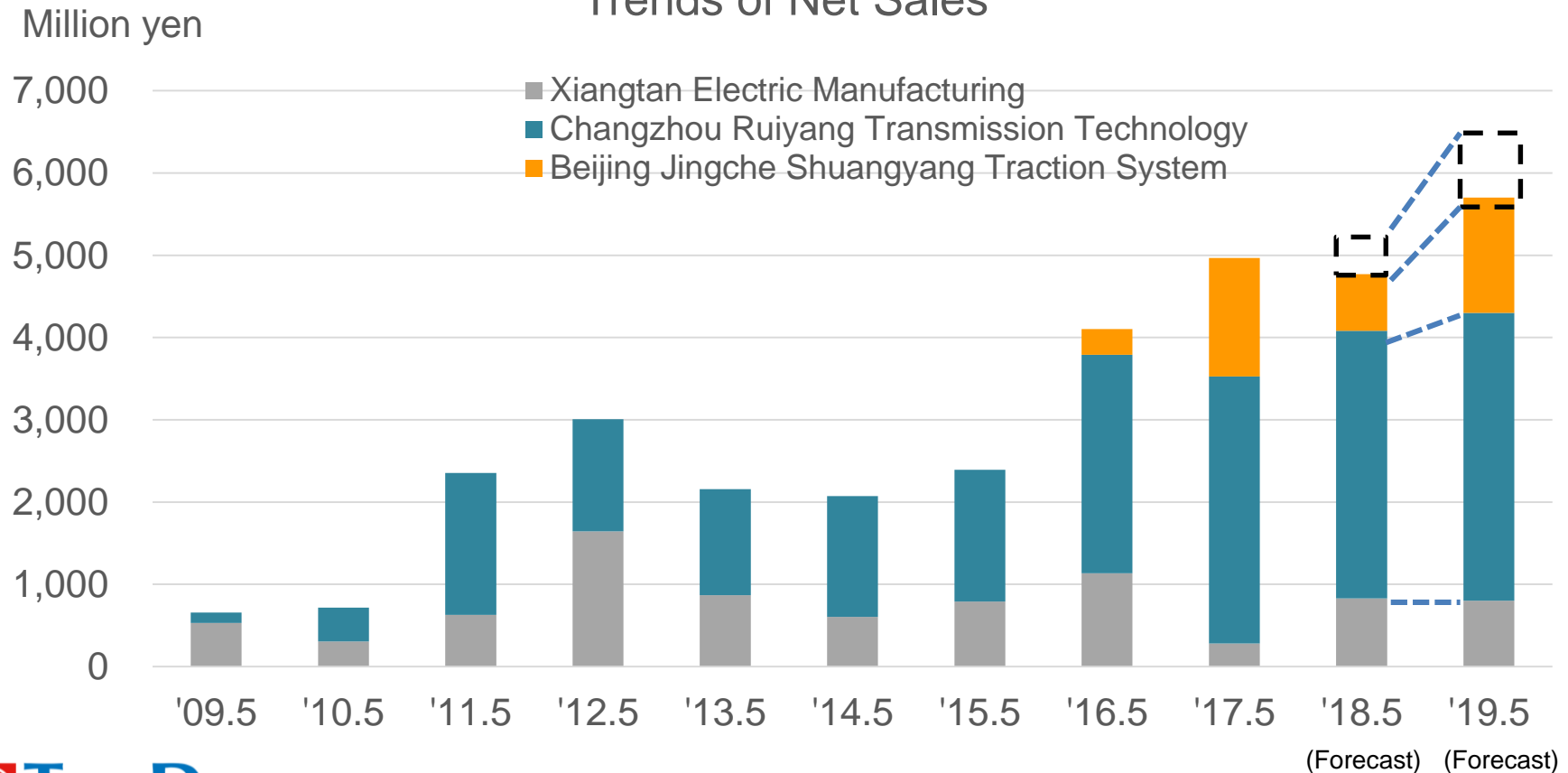
(Transportation Systems)

Captured business opportunities by adapting to changes in the Chinese subway market.

Beijing Jingche Shuangyang Traction System began providing maintenance services for electrical equipment of subway vehicles on a full-scale basis.

Also eyeing the possibility of business expansion by switching to local production of pantographs.

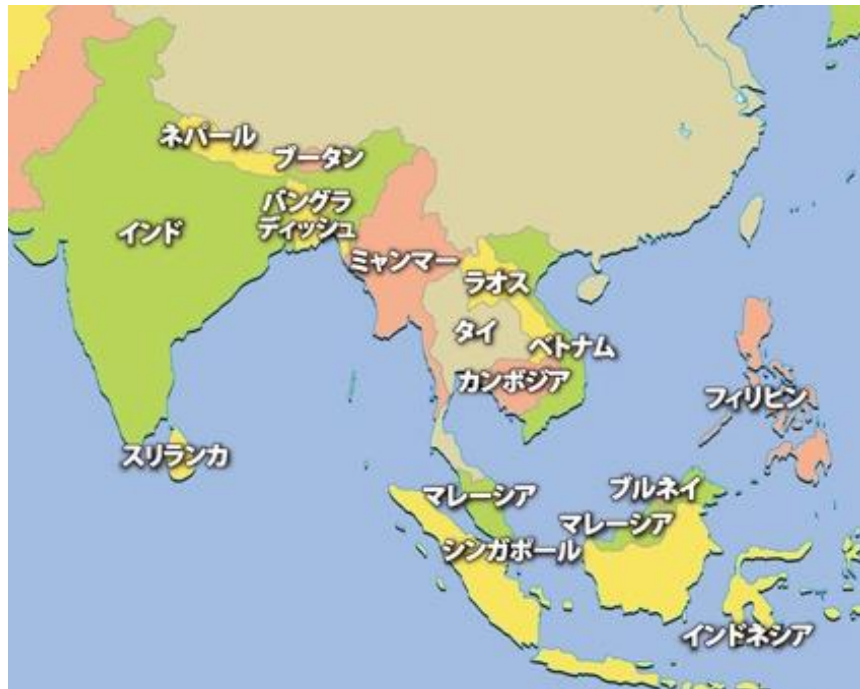
Trends of Net Sales



3-1. Strengthening International Competitiveness

(Transportation Systems)

Outlook for India and ASEAN region ... The market is projected to grow gradually.



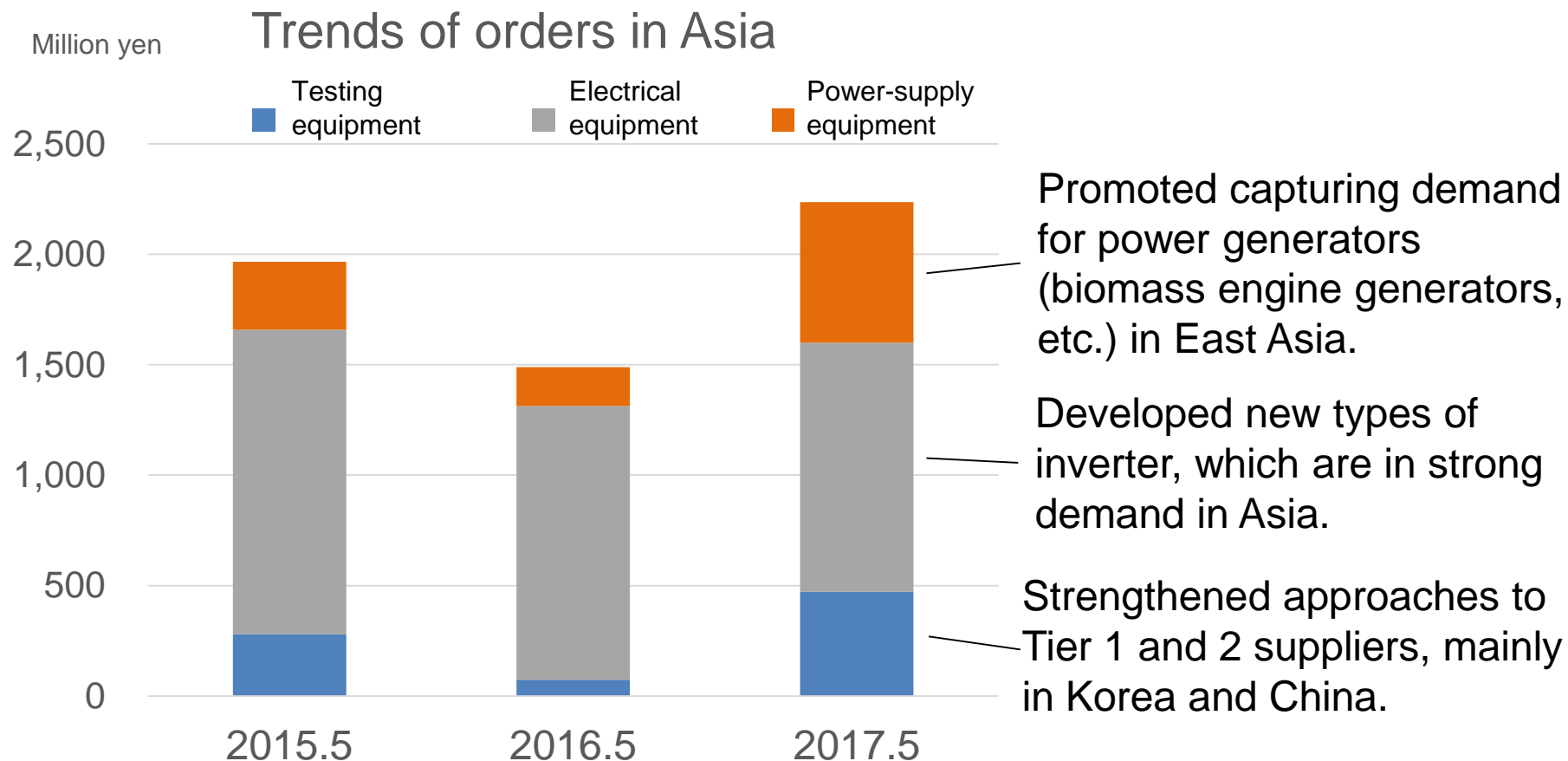
	India	ASEAN
Population	Approx. 1.3 billion	Approx. 0.6 billion
Cities	70 million- population cities and 80 cities with a population of half a million	25 cities with a population of one million
Market trends	About 15 urban railways High-speed railway project on the west coast of India	About 20 urban railways High-speed railway projects in Indonesia and Thailand

Examine approaches to India and ASEAN region by looking into market trends and player's moves, and reviewing the Company's own resources.

3-1. Strengthening International Competitiveness

(Industrial Systems)

Adapted to changes in order-taking structures for Asia. Making efforts to further expand orders by centralizing business locations and functions in Shiga Ryuo Works.



3-2. Restructuring Production System

Started construction of Shiga Ryuo Works, with completion scheduled for January 2018 and full-scale operation for June 2018.

Concept of Shiga Ryuo Works

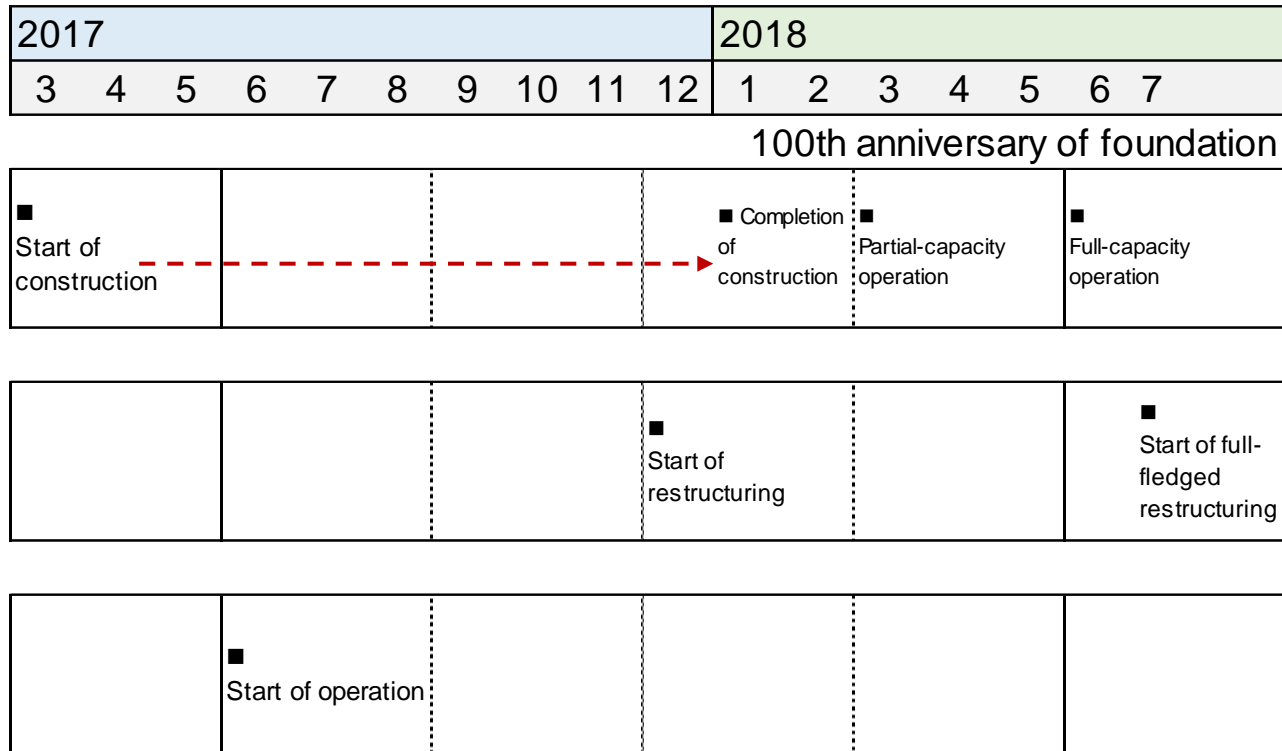
- 1) Overall concept
 - Enhance development capabilities and expand business sectors.
 - ⇒ Expand net sales
 - Centralize business locations and restructure production lines
 - ⇒ Achieve a 30% increase in production efficiency.
- 2) Concept of enhancing product appeal
 - Motors: Expand capacity/range
Low-inertia high-speed rotation
 - Inverters: Develop new types of inverter for Asia
 - Power generators:
 - Improve added value including the Company's own testing equipment.
 - Testing equipment:
 - Strengthen development capabilities and expand business sectors.



3-2. Restructuring Production System

The new plant reached the mid-stage of construction process. New mission-critical system started operation.

Restructuring of production system will be completed upon increasing the production capacity for transportation systems by restructuring the Yokohama Works.



Shiga Ryuo Works

Restructuring of Yokohama Works

New mission-critical system



Current status of construction of Shiga Ryuo Works at the end of June

3-3. Establishing New Businesses and Technologies - NEXT100

(Transportation Systems)

Added inverters based on SiC devices to the product lineup in response to needs for space and energy savings.

Our first SiC device was adopted for upgrading the main circuit of Hiroshima Electric Railway's 3900 series.

Delivered VVVF inverter system and contributed to space, weight, and energy savings.



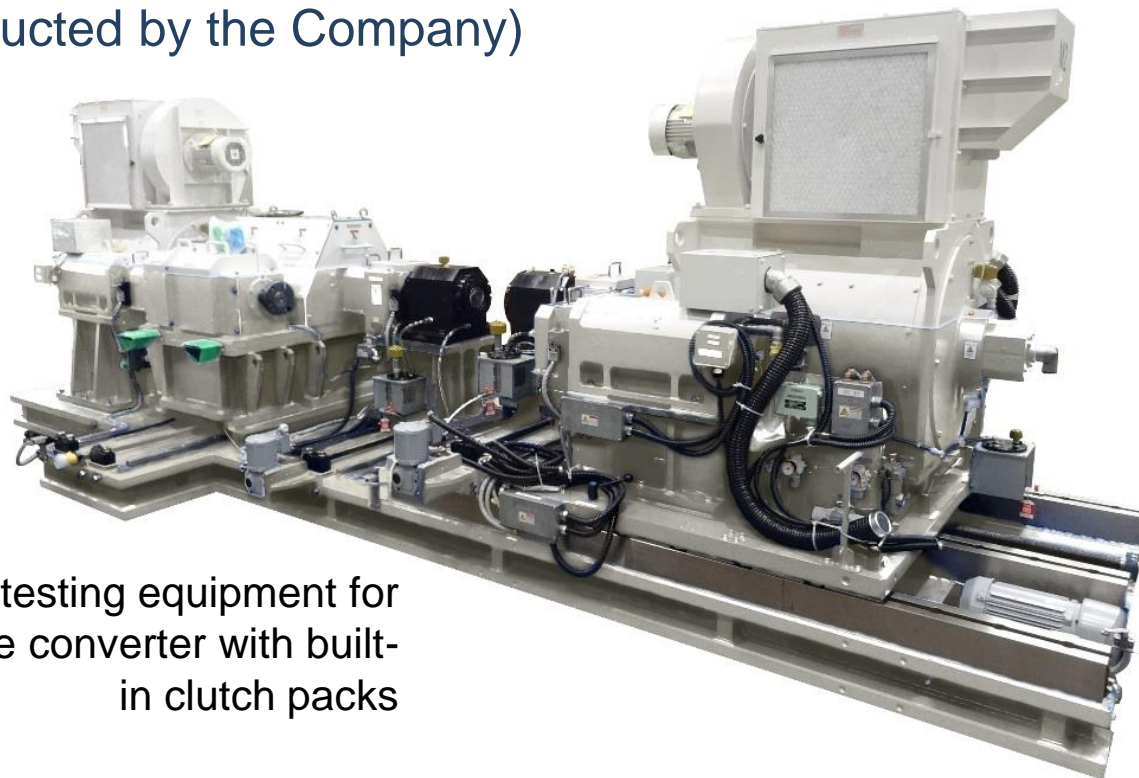
3-3. Establishing New Businesses and Technologies - NEXT100

(Industrial Systems)

Developed multifunctional testing equipment. Our new motor, which rotates at 20,000 RPM, entered the final stage of development.

- The new motor, which rotates at 20,000 RPM and supports EV/HEV testing, reached the final stage of development.
- Developed multifunctional testing equipment as measures to expand sales to Tier 1 and Tier 2 suppliers.

This is the first torque converter with built-in clutch packs. (According to research conducted by the Company)



Newly developed testing equipment for automobiles with torque converter with built-in clutch packs

(Industrial Systems)

Promoting proposals for effectively using natural energy

Working to effectively use natural energy sources such as small hydro, wind, biomass, wave power, tidal power, and sunlight by leveraging the Company's long-accumulated know-how in permanent magnet synchronous generators and power system connections.



Pumped small hydroelectric power generator in Nikaho City, Akita Prefecture



Yonekurayama Solar Power Plant in Kofu City, Yamanashi Prefecture



Power conditioner



EDG permanent magnet synchronous generator (supports 10-750 kW)

3-3. Establishing New Businesses and Technologies - NEXT100

(Information Equipment Systems)

Received orders from Transportation Bureau of City of Yokohama in July 2016 and from Bureau of Transportation Tokyo Metropolitan Government in June 2017.

This complex ticketing system meets security certification requirements and upgrade demand of other railway business operators. We plan to promote sales of this system.



Supports various types of ticket such as IC cards, magnetic PET tickets, magnetic tickets that come in rolls, and Edmonson-style tickets.

- Achieves about a 20% reduction in standby power consumption compared to conventional systems.

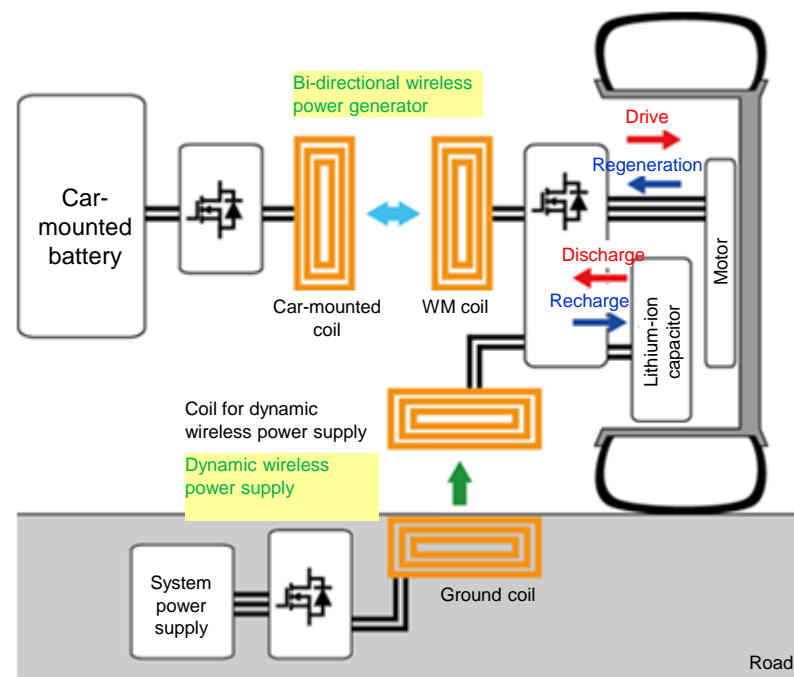
3-3. Establishing New Businesses and Technologies

Succeeded in achieving the world's first dynamic wireless power transfer from a coil array on the ground to a moving vehicle.

Jointly developed the second system (Unit No. 2) that enables power supply to a vehicle from the road surface (announced by University of Tokyo on April 5, 2017).



Wireless in-wheel motor (Unit No.2)



Configuration of second wireless in-wheel motor system

- Corporate Governance
- Developing Human Resources
- Handing down technologies and skills

Thank you for your interest.

<https://www.toyodenki.co.jp>

<Inquiries>

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