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# Financial Results Briefing

## First Half of Fiscal 2018

### (Ended November 30, 2018)

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January 11, 2019  
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# Program

## ■ Briefing on Financial Results: 25 minutes

1. Overview of Financial Results for the First Half of Fiscal 2018
2. Consolidated Earnings Forecasts for Fiscal Year Ending May 31, 2019
3. Current Status of the Medium-Term Management Plan

## ■ Q&A: 30 minutes

1. Overview of Financial Results for the First Half of Fiscal 2018 (June 1–November 30, 2018)

# 1-1. Overview of Consolidated Financial Results

Net sales increased in all business segments. Operating income also improved and exceeded the plan announced.

100 million yen

	1 H FY2017	1 H FY2018	YoY Change		Published value	Published value ratio	
				(%)			(%)
<b>Net sales</b>	<b>186.5</b>	<b>196.3</b>	<b>+9.8</b>	+5.3%	<b>190.0</b>	<b>+6.3</b>	+3.3%
<b>Operating income</b> (%)	<b>-2.3</b> (-1.2%)	<b>-1.2</b> (-0.6%)	<b>+1.1</b> (+0.6%)	—	<b>-2.7</b> (-1.4%)	<b>+1.5</b> (+0.8%)	—
<b>Ordinary income</b>	<b>0.4</b>	<b>-0.2</b>	<b>-0.6</b>	—	<b>-1.5</b>	<b>+1.3</b>	—
<b>Net income</b> [Net income per share (yen)]	<b>2.5</b> 27.12	<b>1.4</b> 15.62	<b>-1.1</b> <b>-11.50</b>	-44.0% —	<b>-1.5</b> <b>-15.88</b>	<b>+2.9</b> <b>+31.5</b>	— —
<b>Orders received</b>	<b>197.4</b>	<b>192.1</b>	<b>-5.2</b>	-2.7%	<b>211.0</b>	<b>-18.9</b>	-9.0%
<b>Ratio of overseas sales to net sales</b>	<b>28.2%</b>	<b>22.9%</b>	<b>-5.3%</b>				

# 1-2. Factors for Increase and Decrease in Operating Income (YoY Change)

Higher revenues and cost cuts resulted in YoY improvement.

<1H/FY2017>

<1H/FY2018>

Increase in revenues /  
change in gross margin  
+¥270 million

Change in plant profitability  
(Depreciation and  
amortization, etc.)  
-¥380 million

Change in selling,  
general &  
administrative  
expenses  
+¥280 million

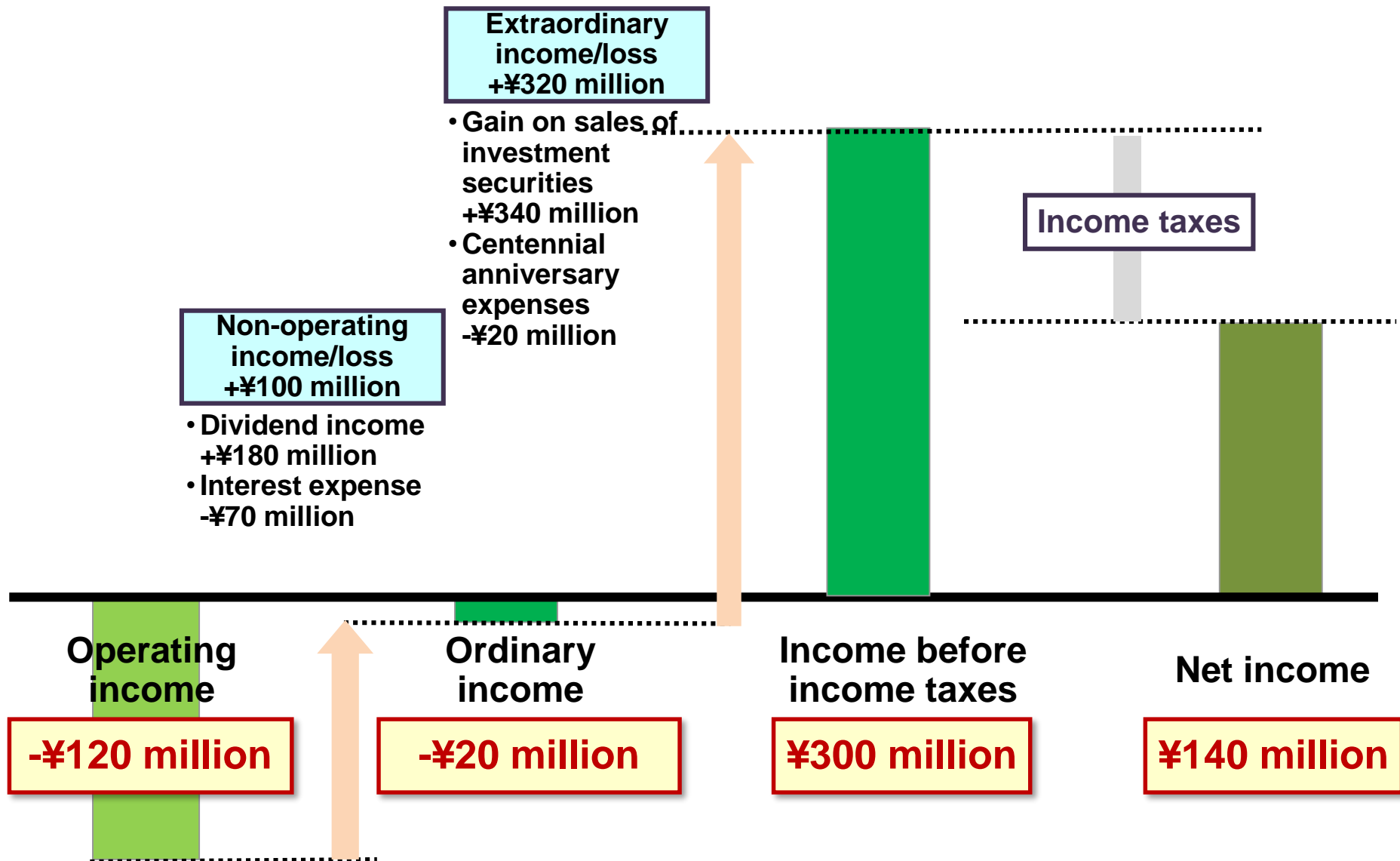
Decrease in subsidiary profits  
(Increase in relocation  
expenses, rent expenses, etc.)  
-¥60 million

**-¥230 million**

**-¥120 million**

Higher revenues, improved profitability and cuts in SGA expenses absorbed the depreciation burden in the industrial systems segment (Ryuo: -¥250 million; mission-critical system: -¥30 million).

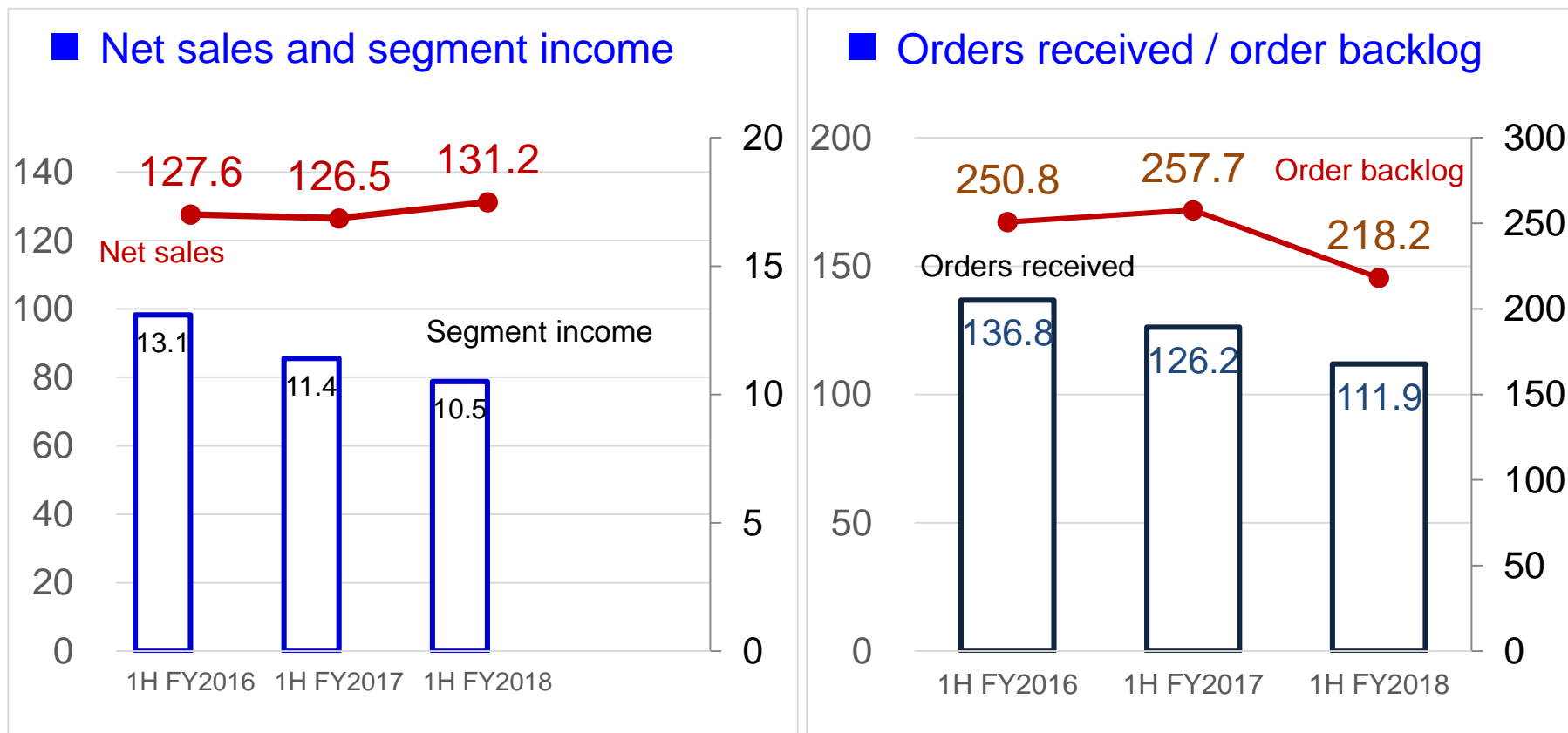
# 1-3. Breakdown of Non-Operating Income/Loss and Extraordinary Income/Loss



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

**Business in Japan was strong. Orders overseas declined but have hit the bottom this period.**

(100 million yen)

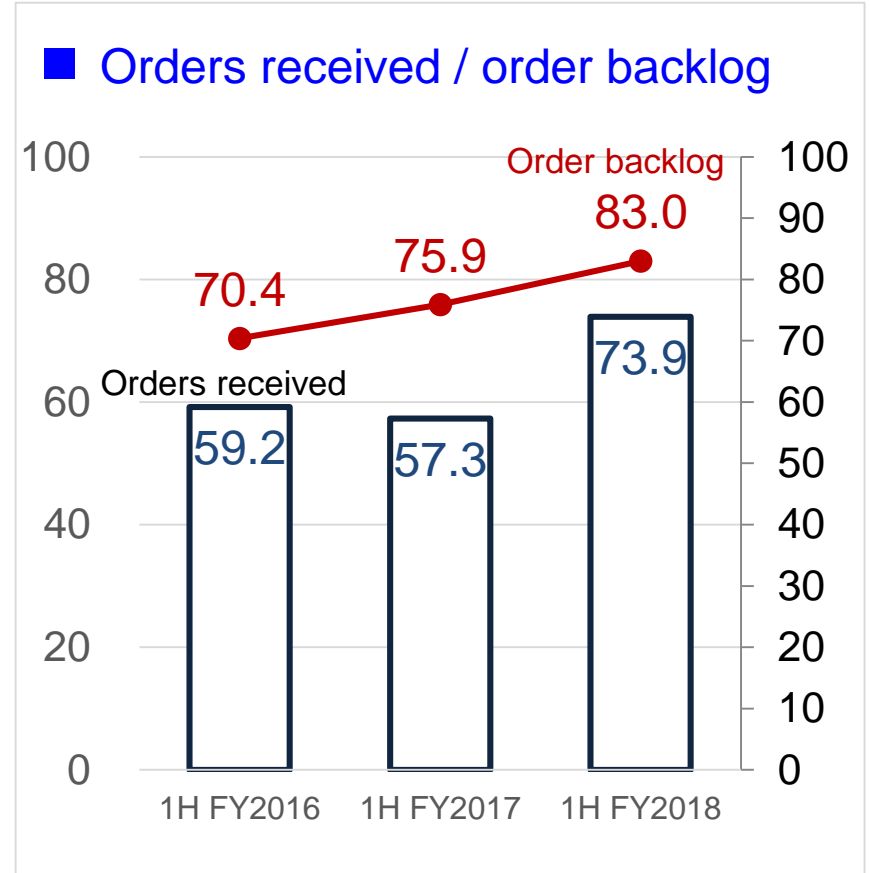
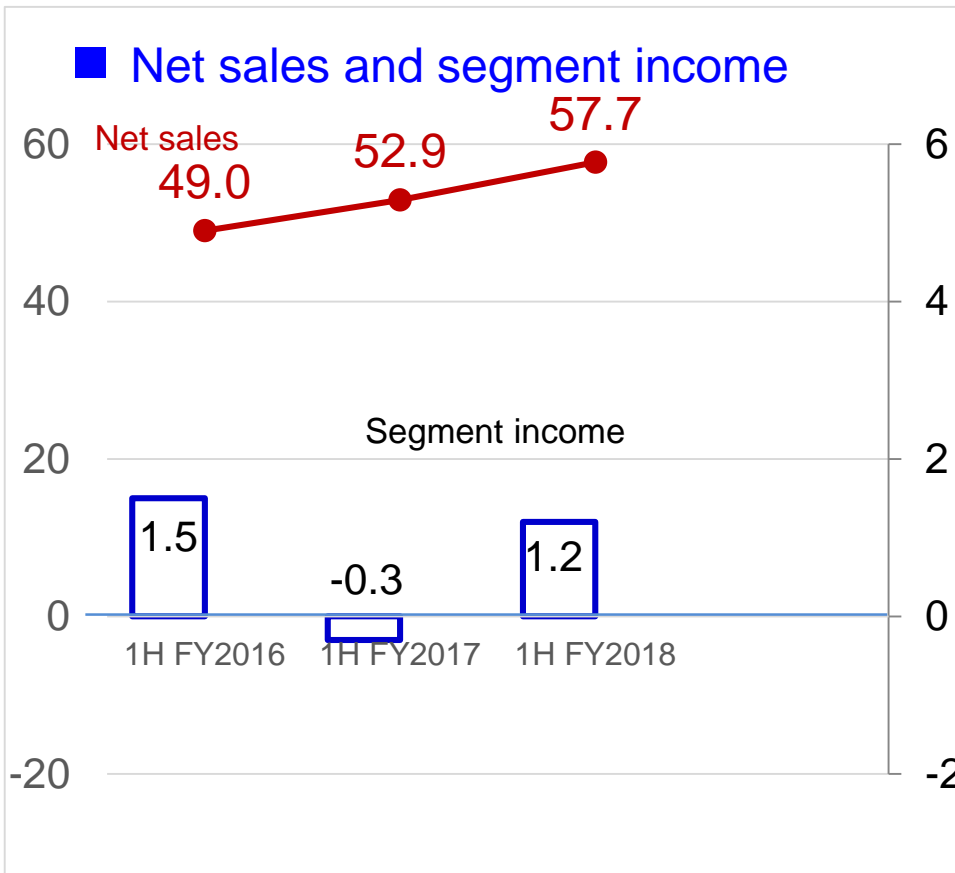


- Orders received and net sales in Japan were strong while those for China declined.
- Signs of a recovery in orders associated with the switchover to standard trains for Chinese high speed railways have become apparent since last December. Expecting to receive orders on a full-scale basis from the next fiscal year.
- Segment income was generally as planned.

# 1-5.Segment Performance: Industrial Systems

Orders received and net sales remained strong. Income is also on an upward trend.

(100 million yen)

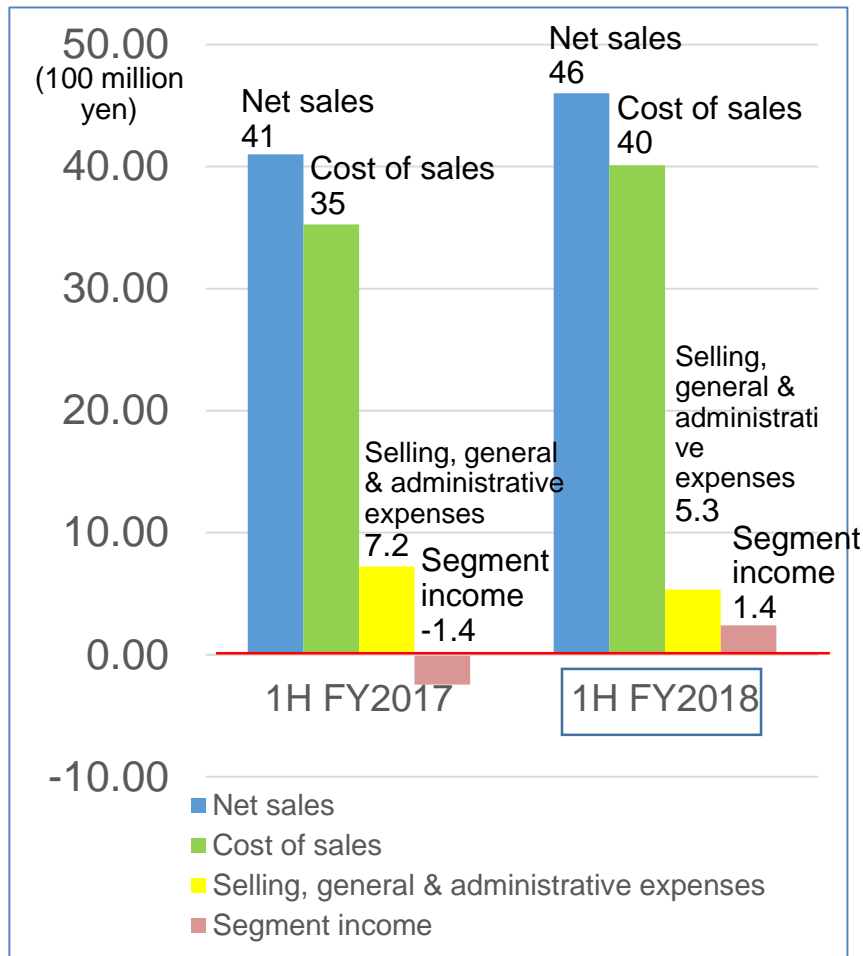


- Orders received and sales increased primarily for testing systems.
- Segment income actually improved by approximately ¥400 million YoY (depreciation burden increased in the first half by ¥250 million).
  - (1) Reforms to business management structure contributed to performance and low-profitability deals were settled in the first half.
  - (2) The integration of industrial works at Shiga Ryuo Plant also contributed to performance.



# 1-6. Segment Performance: **Industrial Systems** (Reference)

## Conceptual image of integration effects at Ryuo (Nonconsolidated YoY comparison for Industrial Business Unit)

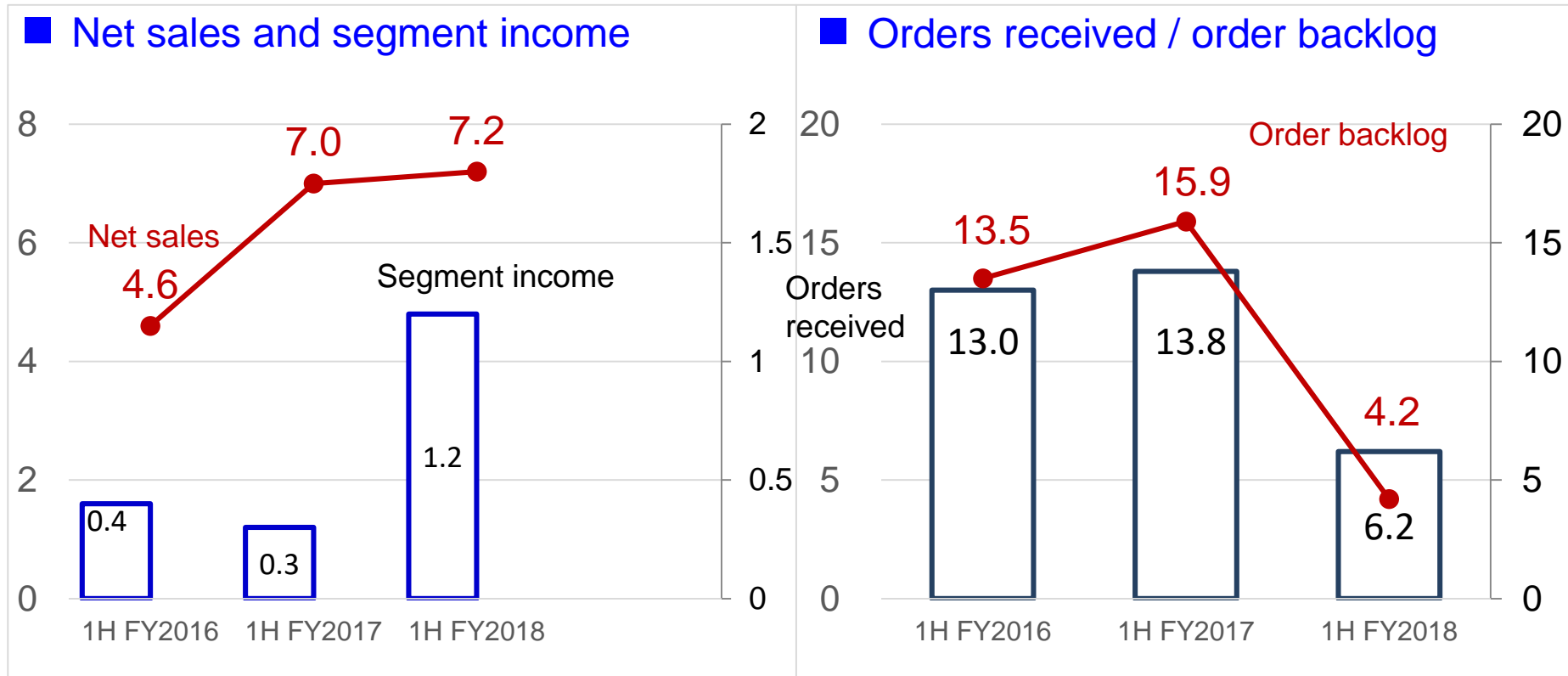


- Inquiries expanded primarily for testing systems.
- Net sales also recovered.  
¥4,100 million → ¥4,600 million
- Shift to a product-based operating structure led to heightening the awareness about profitability and reduced selling, general & administrative expenses.  
¥720 million → ¥530 million
- As a result, segment income entered the black.  
-¥140 million → ¥140 million
- By product, performance of testing systems significantly improved (entered the black).
- The issue lies in strengthening design capacity to respond to expanding inquiries.

# 1-7. Segment Performance: Information Equipment Systems

Revenues increased as a result of consecutive large projects. Income improved and exceeded the plan announced.

(100 million yen)



- Net sales and income exceeded the plan. Launch of on-board IC device contributed to performance.
- Orders received declined YoY as a reaction to large projects handled in the previous fiscal year.

# 1-8.Consolidated Financial Position

Borrowing for working capital temporarily increased. Reduced investment securities as planned.

100 million yen

	FY2017		FY2018	YoY Change
	Nov 30 2017	May 31 2018	Nov 30 2018	
<b>Total Assets</b>	<b>590</b>	<b>632</b>	<b>617</b>	<b>- 15</b>
Current assets	278	286	287	+ 1
Fixed assets	311	346	329	- 17
<b>Liabilities</b>	<b>333</b>	<b>369</b>	<b>373</b>	<b>+ 4</b>
Of which, interest bearing debt	133	161	194	+ 33
<b>Net Assets</b>	<b>257</b>	<b>263</b>	<b>244</b>	<b>- 19</b>
<i>Shareholders' Equity Ratio (%)</i>	<b>43.5%</b>	<b>41.6%</b>	<b>39.6%</b>	<b>-2.0%</b>

## 2. Consolidated Earnings Forecasts for Fiscal Year Ending May 31, 2019

## 2-1.Earnings Forecasts (Whole Company)

Net sales of ¥42.5 billion and orders received of ¥40.9 billion are projected. Upward revisions have been made to income.

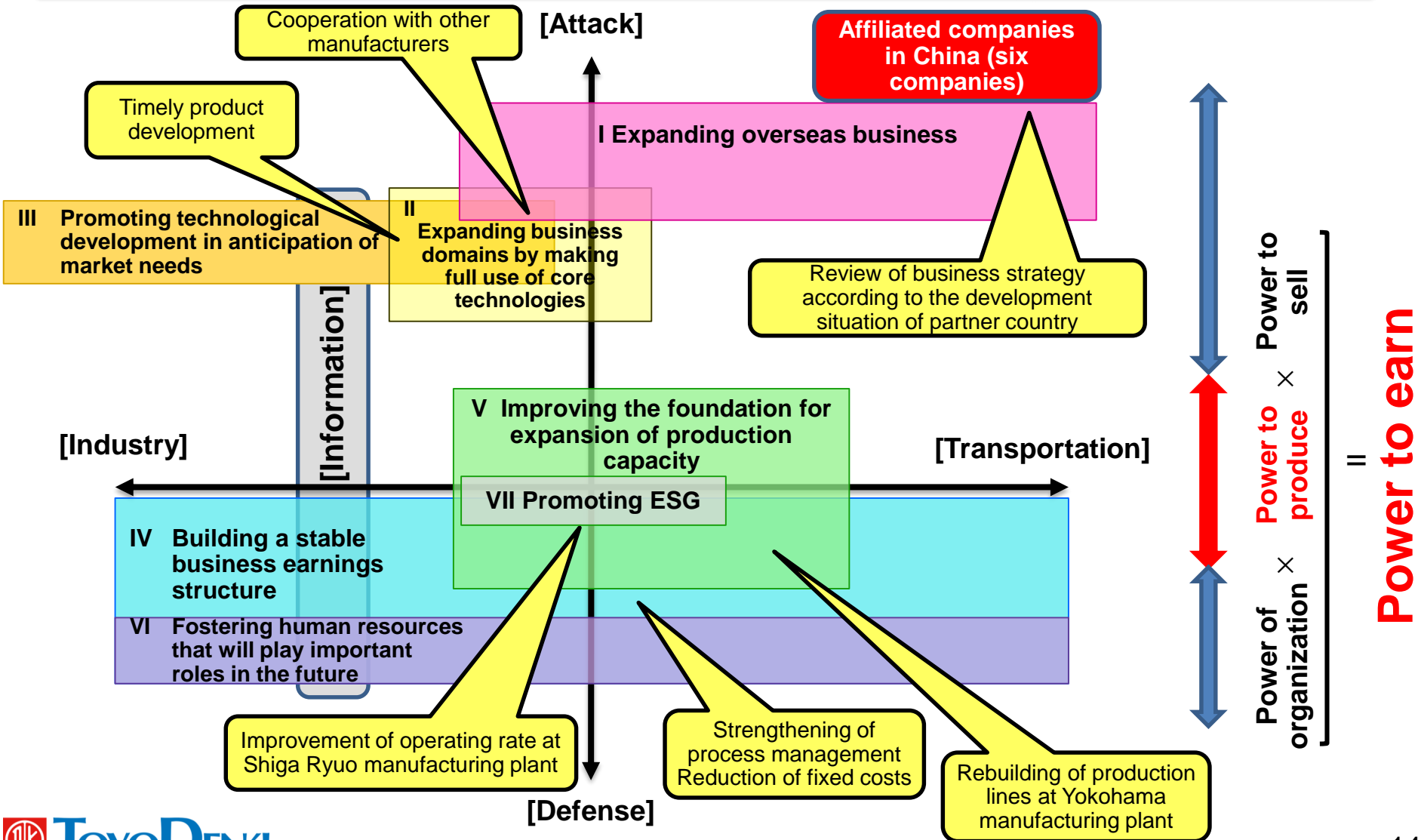
100 million yen

	FY ended in May 2018 (Result)		FY ending in May 2019 (Forecast)		YoY Change Full year
	1H	Full year	1H(Result)	Full year (Revised)	
<b>Net Sales</b>	186.5	425.2	<b>196.3</b>	<b>425.0</b>	<b>-0.2</b>
<b>Operating Income</b> (%)	-2.3 (-1.2%)	3.6 (0.9%)	<b>-1.2</b> (-0.6%)	<b>6.0</b> (1.4%)	<b>+2.4</b>
<b>Ordinary Income</b>	0.4	5.1	<b>-0.2</b>	<b>6.5</b>	<b>+1.4</b>
<b>Net Income</b> [Net income per share (yen)]	2.5 27.12	6.9 73.33	1.4 15.62	<b>7.0</b> 74.69	<b>+0.1</b> 1.36
<b>Dividend per share (yen)</b>		50.0		30.0	
<b>Orders received</b>	197.4	395.9	<b>192.1</b>	<b>409.0</b>	<b>+13.1</b>
<b>Order backlog at the end of fiscal year</b>		309.7			

## 3. Initiatives Going Forward

# 3-1. Medium-Term Management Plan (Revitalize 2020) (1)

## 1. Key Measures



## 3-2. Medium-Term Management Plan (Revitalize 2020) (2)

### 2. Numerical Targets

(100 million yen, %)

	FY ended May 31, 2018 (Result)	FY ending May 31, 2020 (Plan)	FY ending May 31, 2022 (Plan)
Net sales	425.27	430	Over 470
Operating income	3.66	9	<b>20</b>
(Operating margin ratio)	(0.9%)	(2.1%)	(4.3%)
Ordinary income	5.15	11	24
Net income	6.92	7	16
<u>Investment gain on equity method</u>	1.16	1.2	4.0
<u>ROE</u> <u>(Net income to shareholders'</u> <u>equity ratio)</u>	2.7%	3.3%	5.0%
<u>Dividend payout ratio</u>	68.2%	30.0%	30.0%

#### <Net sales by segment>

Transportation Systems	279.49	290	310
Industrial Systems	117.69	130	150
Information Equipment Systems	28.01	10	10



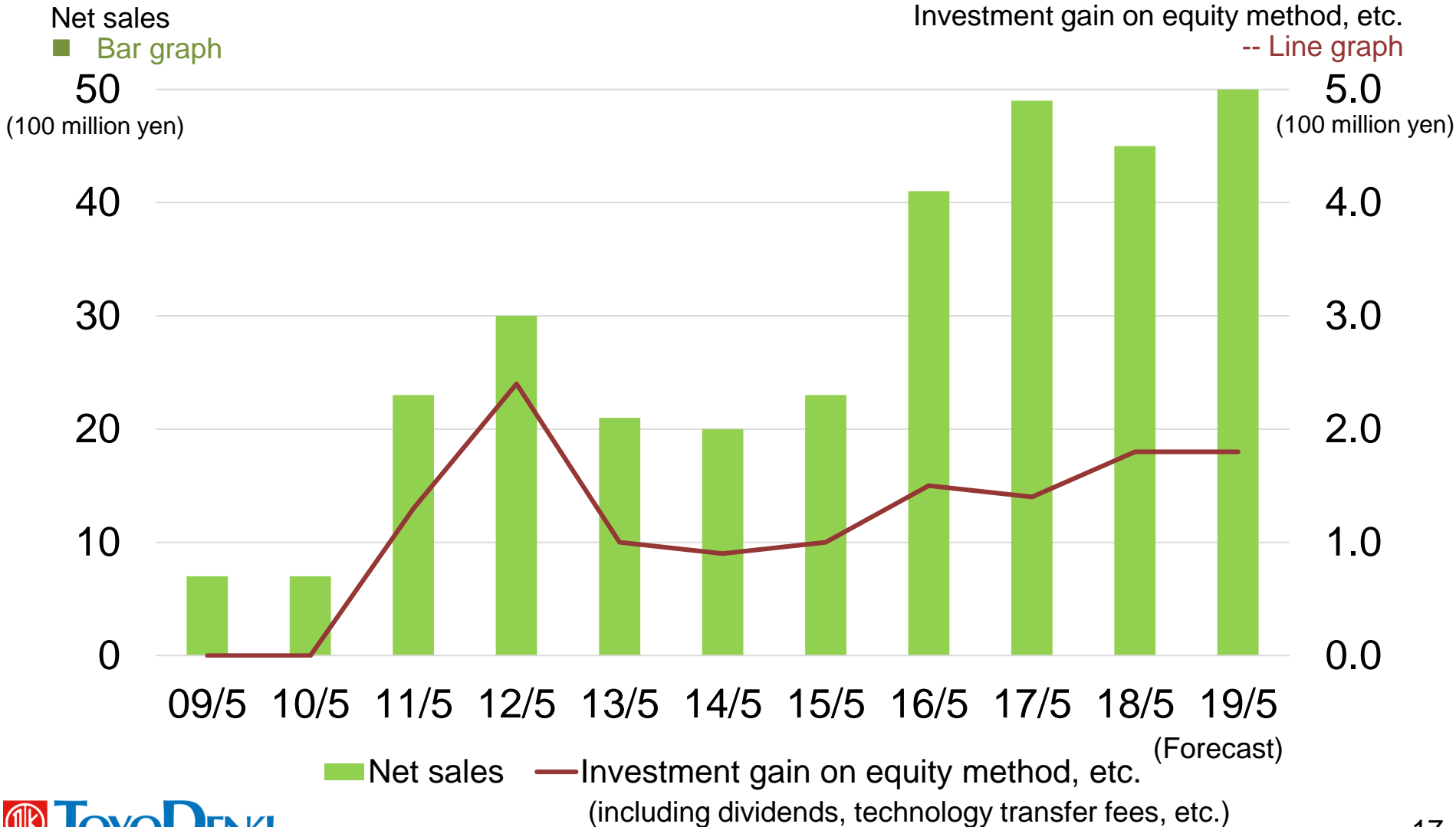
# 3-3. Expanding Overseas Business

## Business activities in overseas

			2005	2010	2015	2020	2025	
			08 Beijing Olympics & Paralympics	10 Shanghai Expo	14 Birth of CRRC Group			
China	Transportation	Electrical equipment for urban transportation	Large-scale delivery		Entry into the maintenance business	Expansion of maintenance business		
		Electrical equipment for high-speed railways	Large-scale delivery			Delivery for standard trains		
	Industry	Standard inverters	Individually sold			Aiming for local production		
		Standard motors	OEM			Aiming for local production		
		Systems	Customized response					
		Automotive electrical equipment	Customized response					
Thai	Sales structure reinforcement	Making the representative office a local subsidiary						

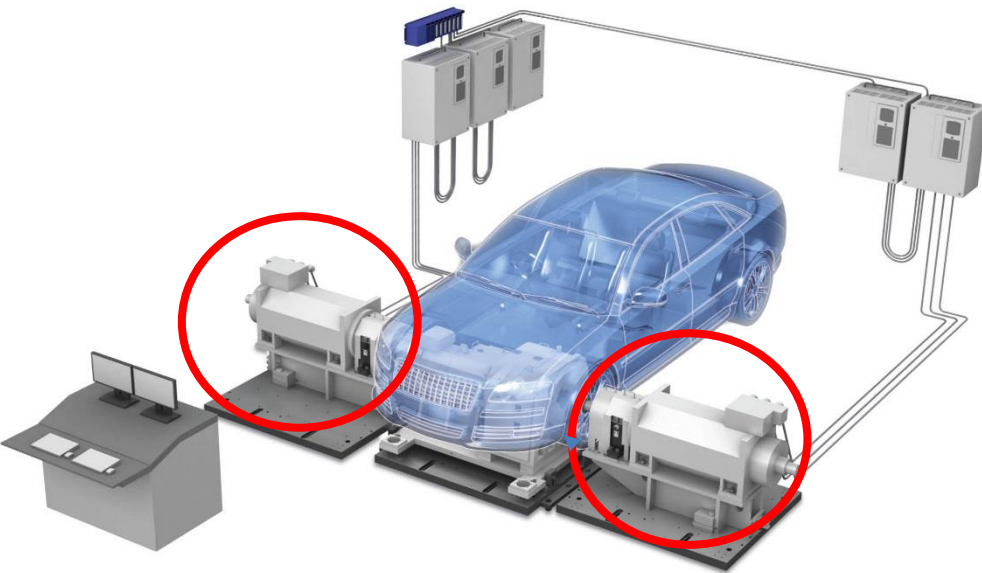
# 3-4. Expanding Overseas Business (Transportation Systems: Net Sales and Investment Gain on Equity Method)

Changes in “Net sales” and “Investment gain on equity method, etc.” of three companies under the equity method (in China)



# 3-5. New Development (1)

Commercialization of flat-type dynamo for automatic driving vehicle evaluation (by the end of FY2018)



Conceptual image of conventional testing machine

Holding dynamo in the tire wheel part



Newly developed dynamo

# 3-6. New Development (2)

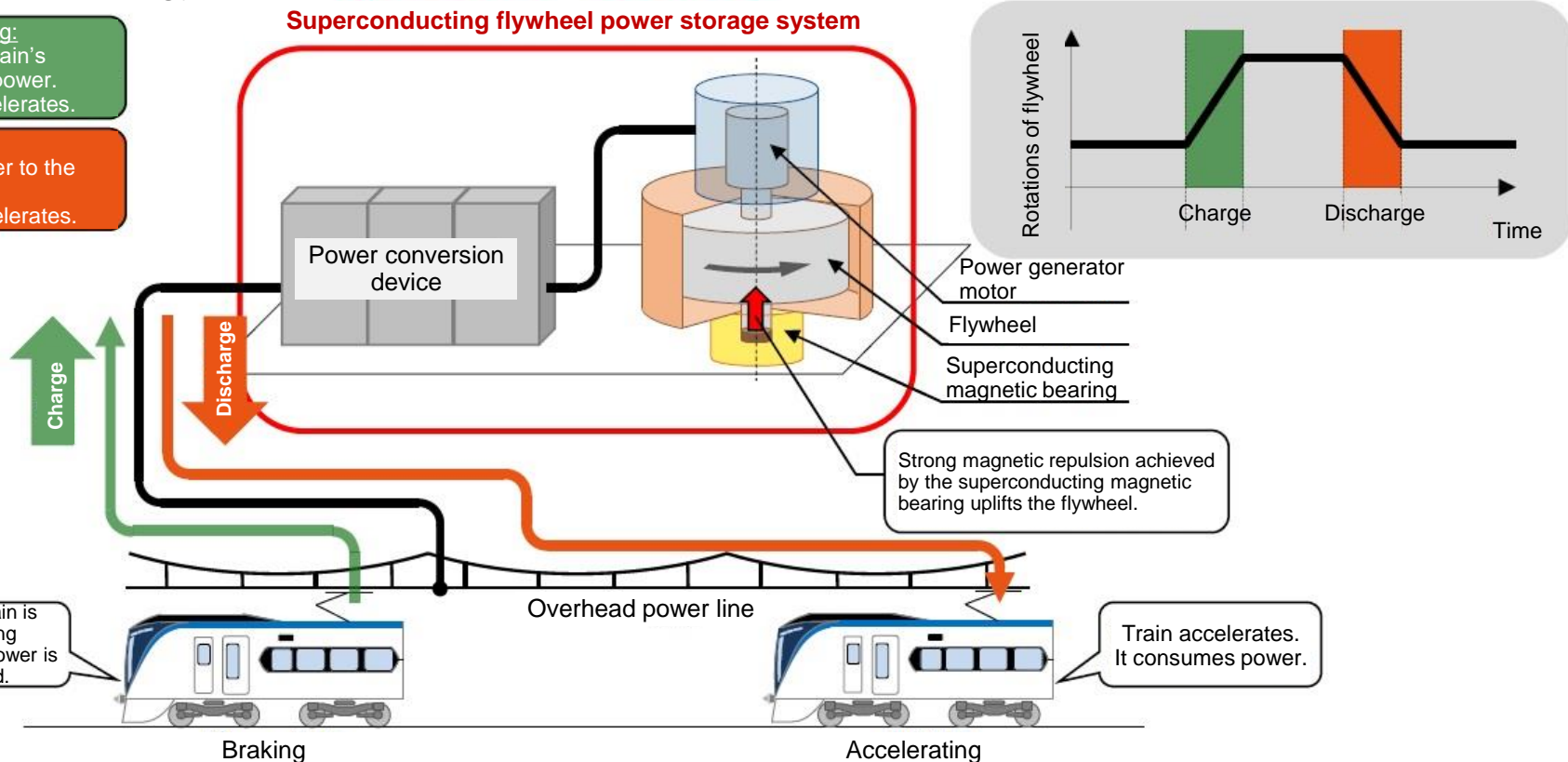
## Have become the prime contractor for a superconducting flywheel power storage system for railway applications.

Received consignment of project operation, such as overall coordination toward verification testing and manufacturing of power conversion device.

Made efforts to build a power storage system that contributes to increasing energy efficiency in the railroad sector and to promoting stable use and technological development of renewable energy.

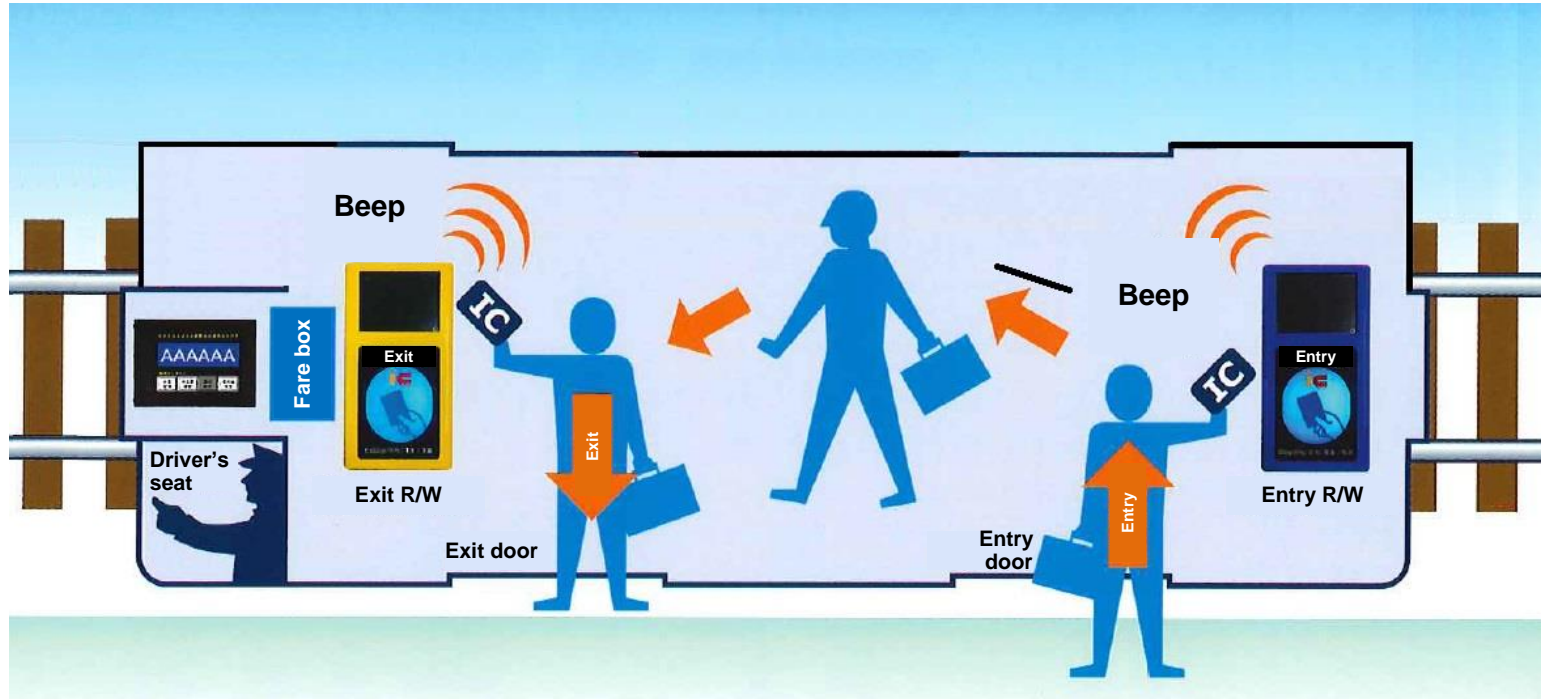
When charging:  
Absorbs the train's regenerative power.  
Flywheel accelerates.

At discharge:  
Supplies power to the train.  
Flywheel decelerates.



## 3-7. New Development (3)

**On-board IC device :** Ticket gate device installed on board the train.  
It identifies the station where the train stops and records the gate entry/exit information on the IC card.



- Movable ticket gate device. It eliminates the need to install devices at stations and promotes adoption of IC cards.

## 3-8. Other Initiatives

- Corporate governance  
Changed the operating officer system effective June 1, 2018
- Succession of technology and skills  
An employee of Yokohama manufacturing plant received the Fiscal 2018 Contemporary Master Craftsman award (third employee to be awarded).
- Advertising award received  
The Company's centennial anniversary advertisement received the Nikkei Advertising Award (Nikkei Business Daily Excellence Award).
- Publication of 100 years of history
- Working-style reforms, promotion of diversity
- Promotion of human resources development



**Thank you for your attention.**

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