
Financial Results Briefing Fiscal 2018 (Ended May 31, 2019)

July 12, 2019

Toyo Denki Seizo K.K.

Program

- Briefing on Financial Results: 25 minutes

1. Overview of Financial Results for Fiscal Year Ended in May 2019
2. Outlook for Financial Results for Fiscal Year Ending in May 2020
3. Medium-term Management Plan / Topics

- Q&A: 30 minutes

1. Overview of Financial Results for
Fiscal Year Ended in May 2019
(From June 2018 to May 2019)

1-1. Overview of Consolidated Financial Results

Integration of industrial works at Shiga Ryuo Plant led to a significant improvement in the Industrial Systems segment and operating income increased as planned in general.

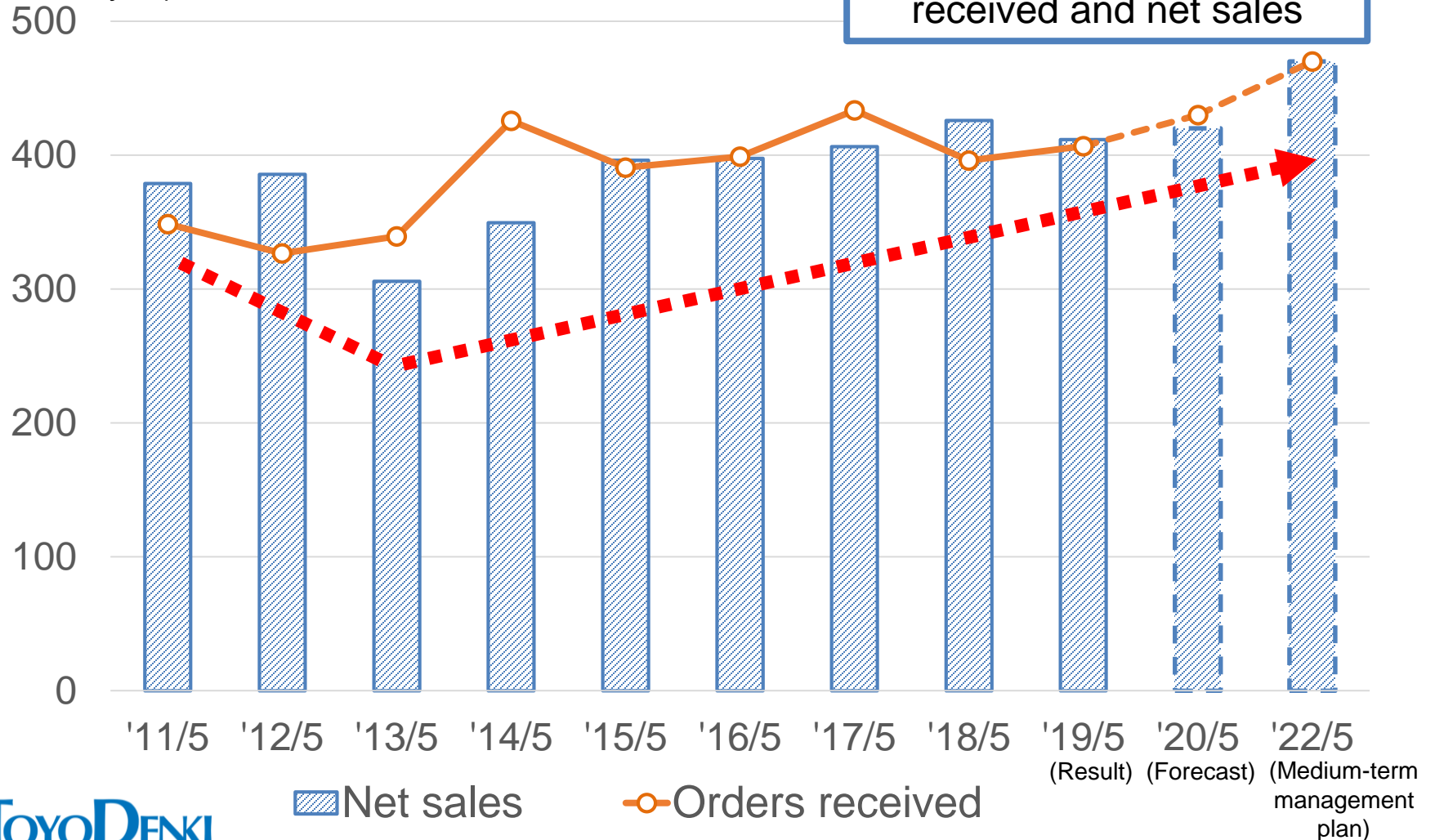
	2018.5	2019.5	YoY Change		Published value (May 2019)	Published value ratio	
				%			(%)
Net Sales	425.2	411.7	-13.5	-3.2%	425.0	-13.3	+96.9%
Operating Income (%)	3.6 (0.9%)	5.5 (1.4%)	+1.9 (+0.5%)	+52.0% -	6.0 (1.4%)	-0.5 (+0.0%)	+91.7% -
Ordinary Income	5.1	4.9	-0.2	-3.8%	6.5	-1.6	+75.4%
Net Income [Net income per share (yen)]	6.9 73.33	6.9 75.27	-0.0 +1.94	-0.3% -	7.0 74.69	-0.1 +0.58	+98.6% -
ROE	2.7%	2.7%	+0.0%	-			
Orders received	395.9	406.8	+10.8	+2.7%	409.0	-2.3	+99.4%
Ratio of overseas sales to net sales	25.3%	22.9%	-2.4%	-			

<Reference> Changes in consolidated orders received and net sales

Steadily making progress toward achieving the targets—over 47 billion yen in orders received and net sales—for Fiscal 2021, the final year of the medium-term management plan.

(100 million yen)

Over 47 billion yen in orders received and net sales



<Reference> Changes in investment gain on equity method

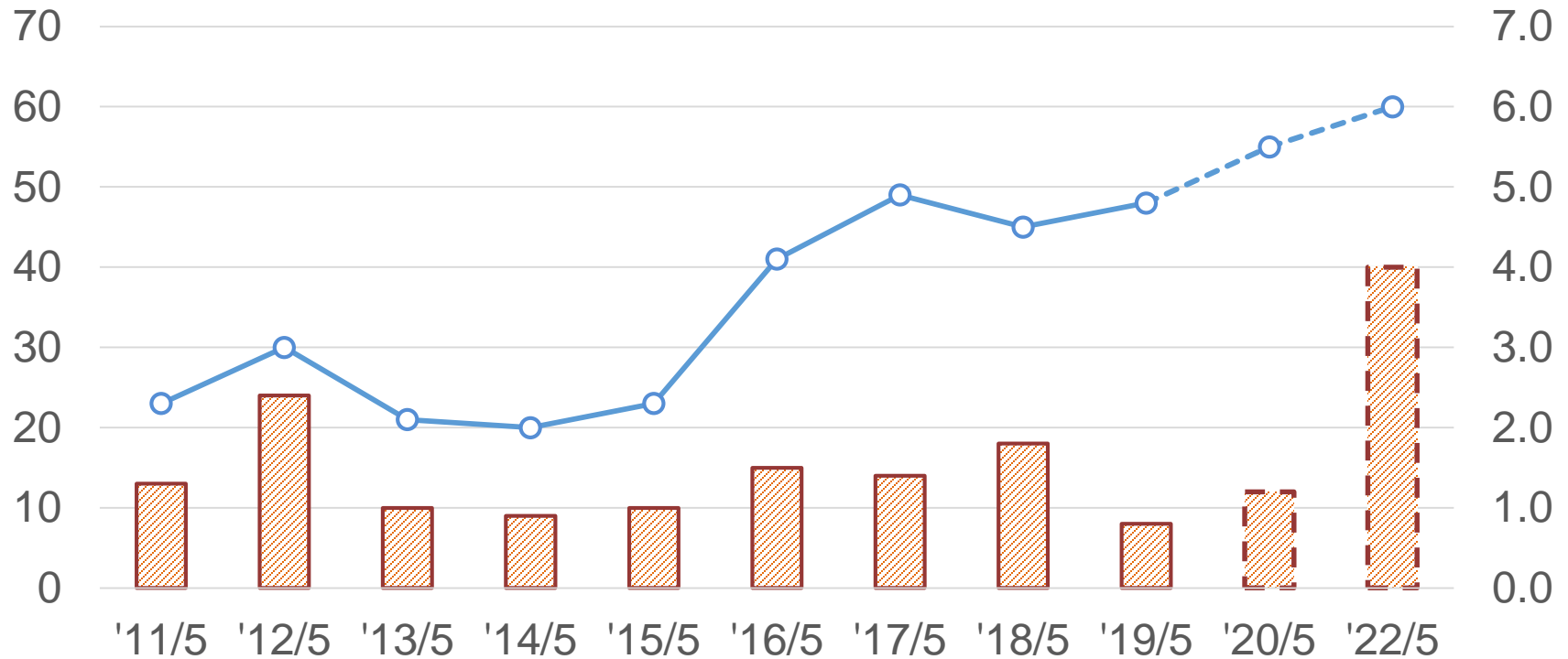
Changes in three companies under the equity method ((1) Hunan Xiangyang Electric, (2) Changzhou Ruiyang Transmission Technology, (3) Beijing Jingche Shuangyang Traction System)
 Aiming to expand investment gain on equity method toward Fiscal 2021, the final year of the medium-term management plan.

Net sales
 - Line graph

(100 million yen)

Investment gain on equity method, etc.
 Bar graph

(100 million yen)



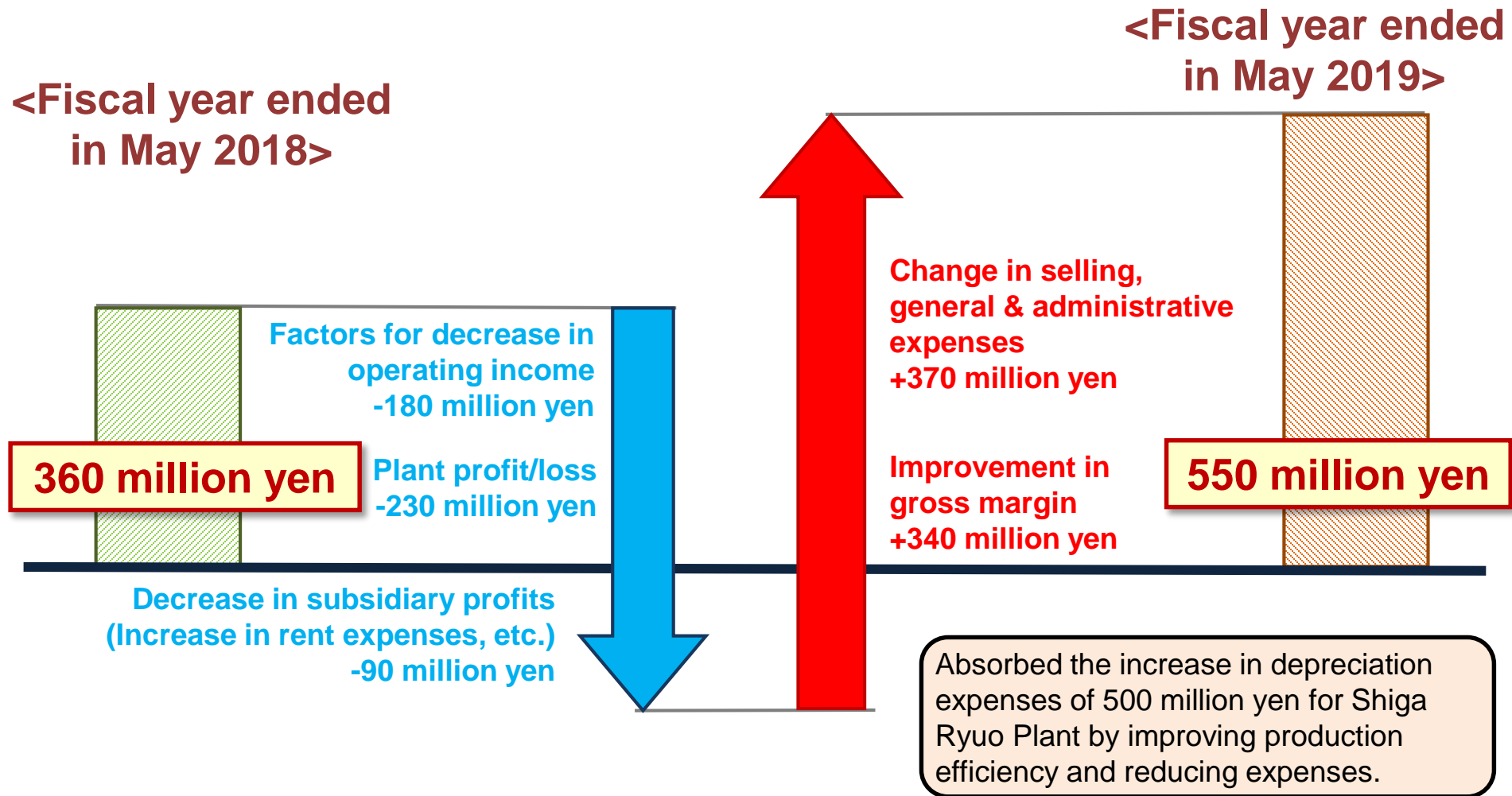
- Net sales

Investment gain on equity method, etc.
 (Including dividends, technology transfer fees, etc.)

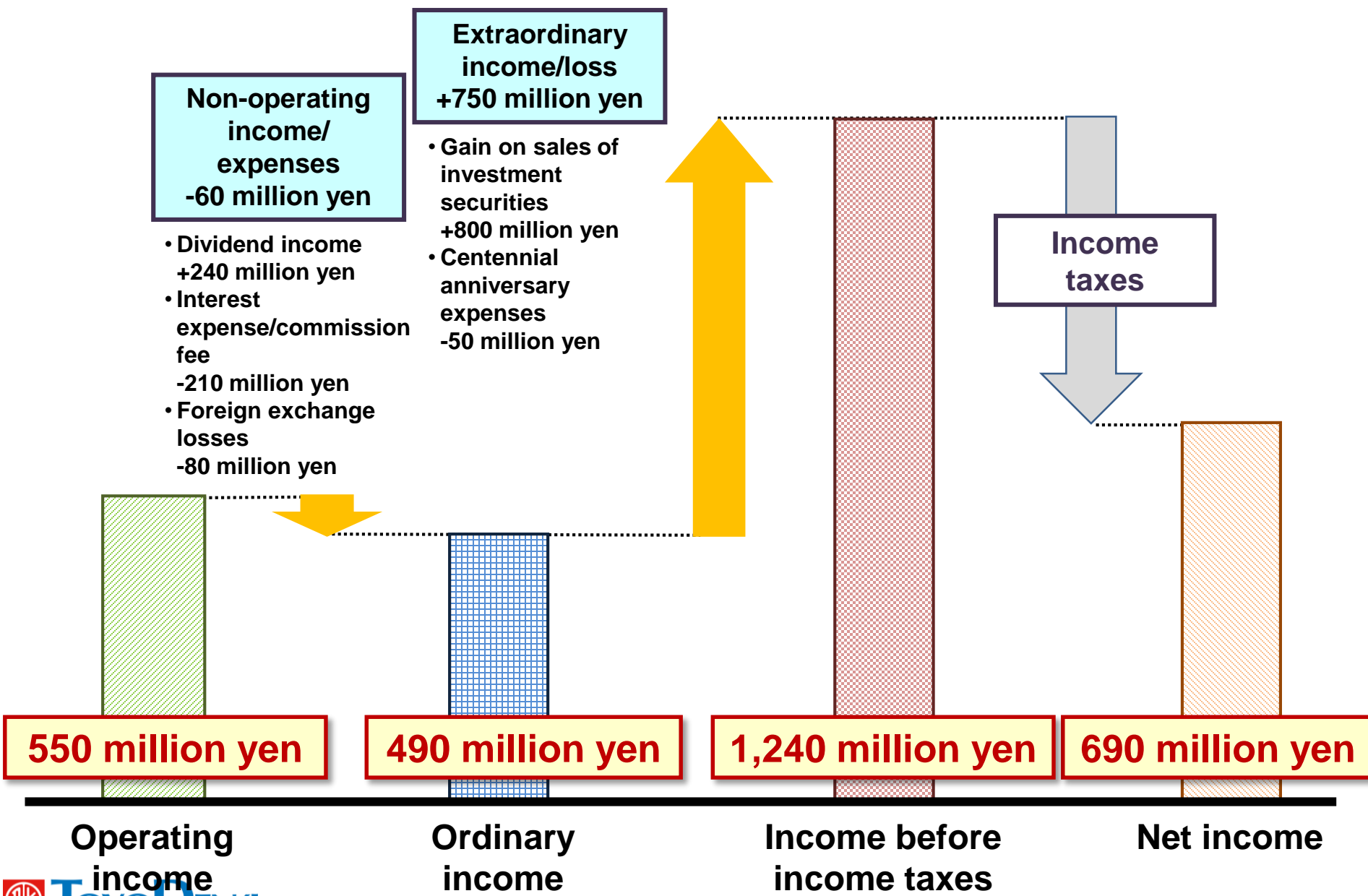
(Result) (Forecast) (Medium-term management plan)

1-2. Factors for increase and decrease in operating income (YoY change)

Improvement in gross margin, favorable production efficiency and cost reduction covered the factors for decrease in operating income and the increase in depreciation expenses.



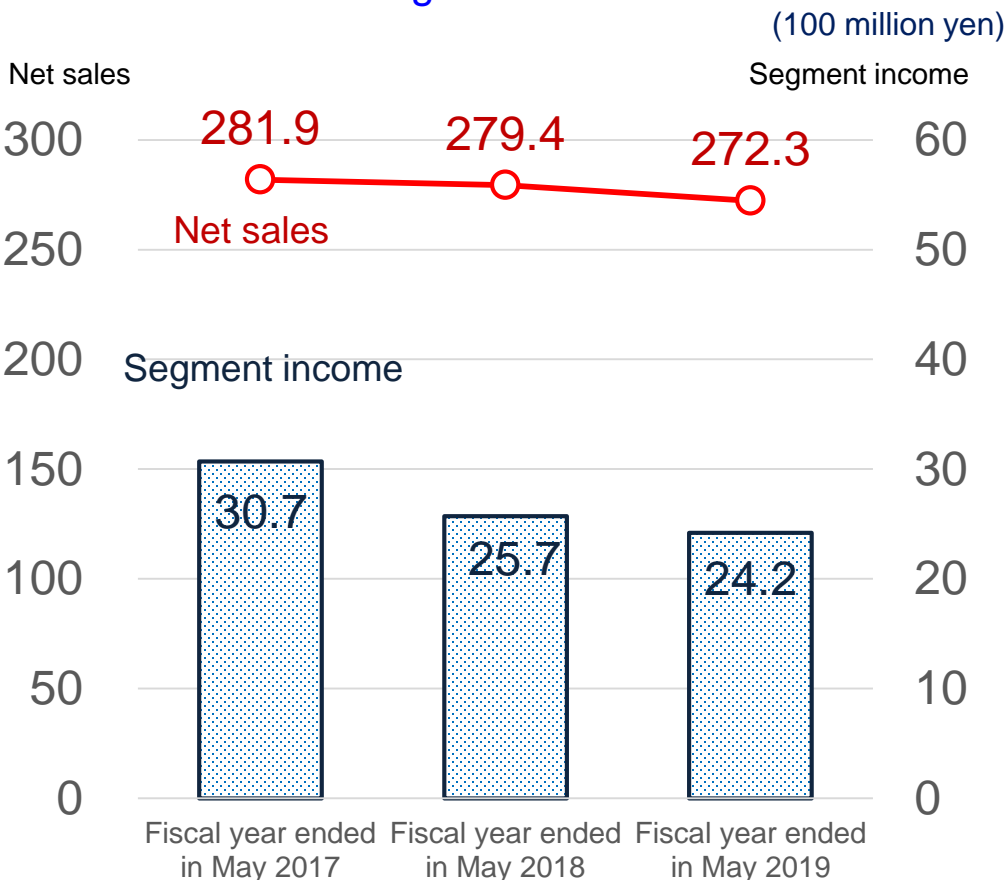
1-3. Breakdown of non-operating income/expenses and extraordinary income/loss



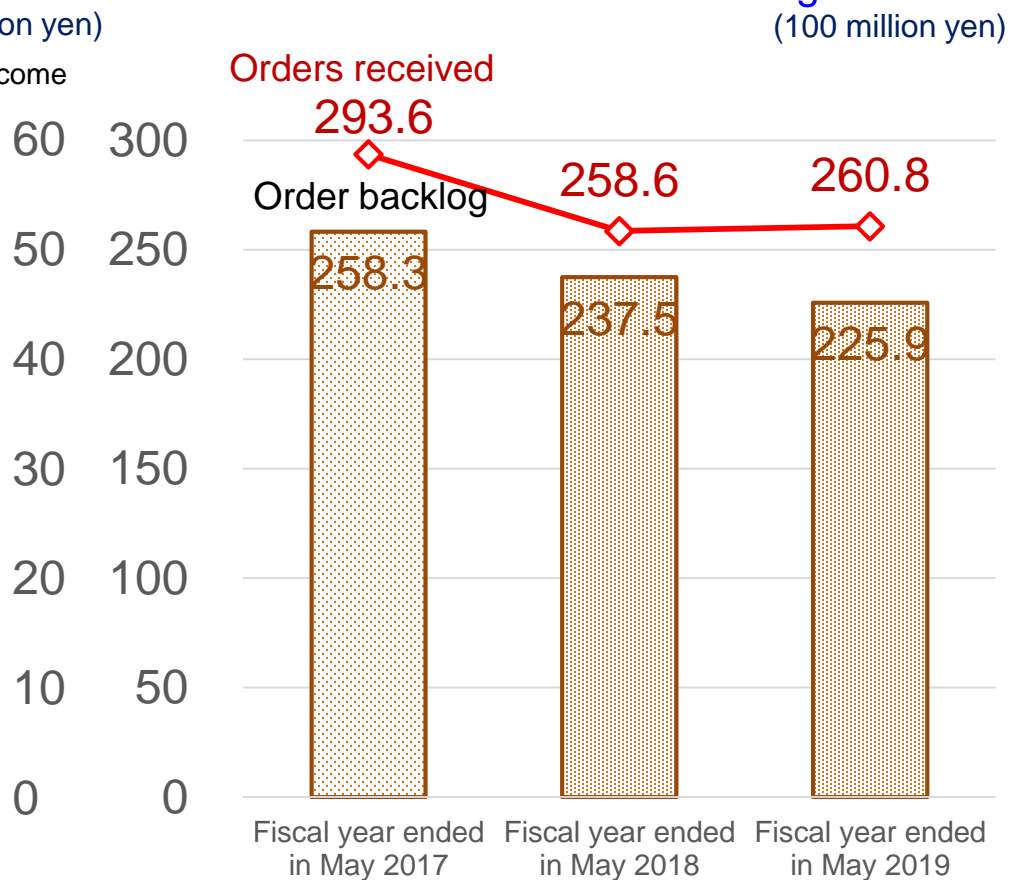
1-4. Segment Performance **Transportation Systems**

Domestic performance covered the decline overseas and the overall result was flat.

Net sales and segment income



Orders received and order backlog

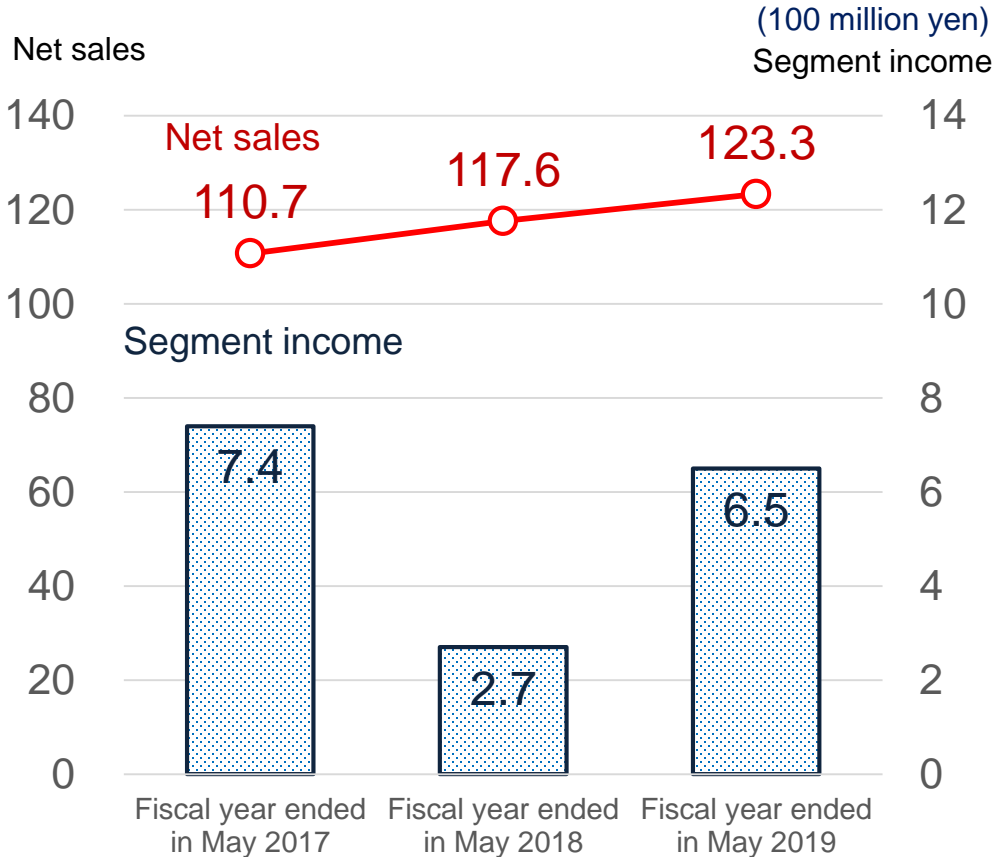


- Orders received slightly increased due to strong demand from domestic private railways and orders won for driving gear units overseas.
- Net sales decreased as the Chinese high-speed railway was in the process of switching its train model types, but will recover from the year ending in May 2020.
- Segment income slightly decreased due to higher costs of overseas projects although efforts were made to improve profitability.

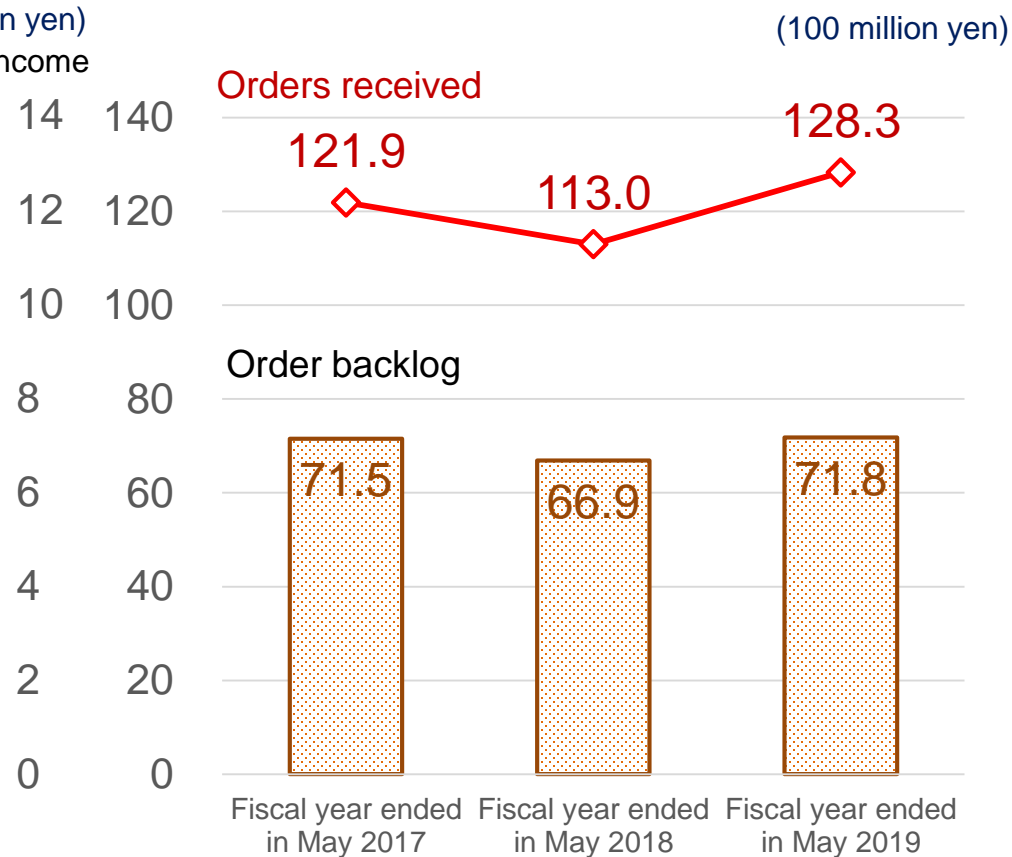
1-5. Segment Performance **Industrial Systems**

Orders expanded thanks to the effects of integrating industrial works at Shiga Ryuo Plant and business profitability improved.

■ Net sales and segment income



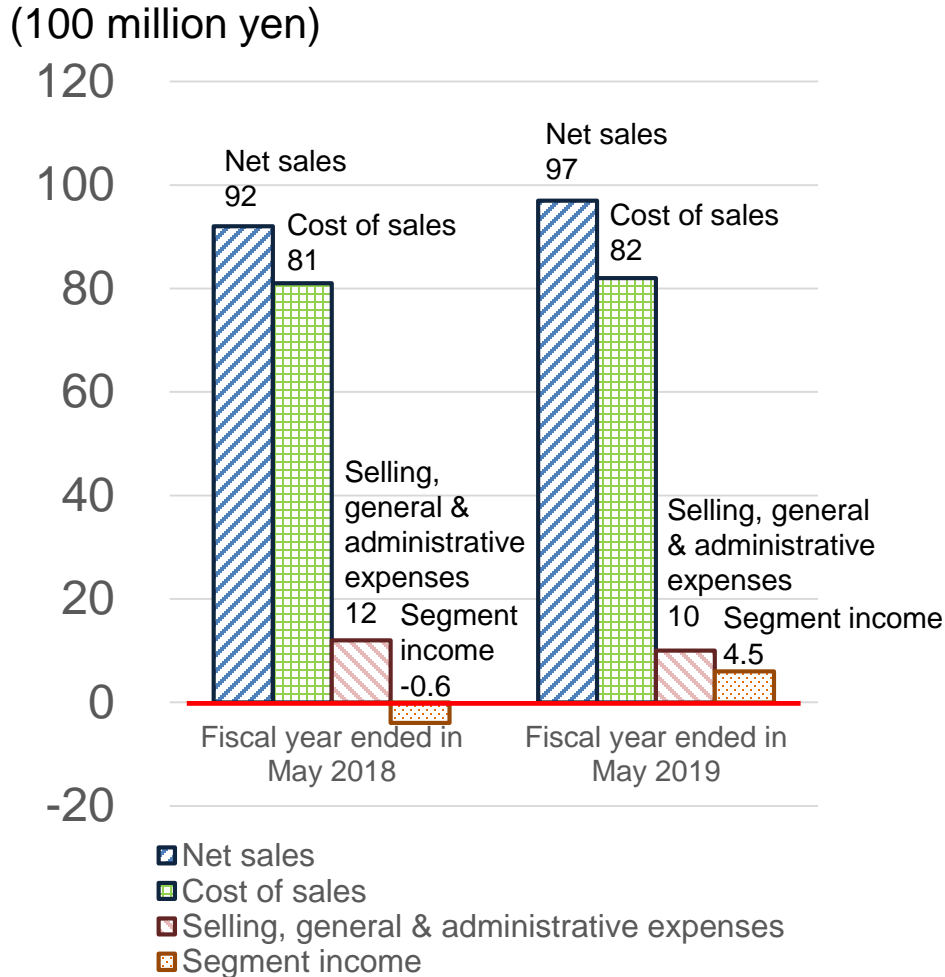
■ Orders received and order backlog



- Orders received and net sales both increased for testing equipment and processing & printing machines.
- Improvements in profitability and production efficiency covered the impact of increase in depreciation expenses of 500 million yen on segment income.

1-6. <Reference> Segment Performance **Industrial Systems**

Breakdown of improvement in business profitability. (YoY comparison of Industrial Business Unit (non-consolidated))

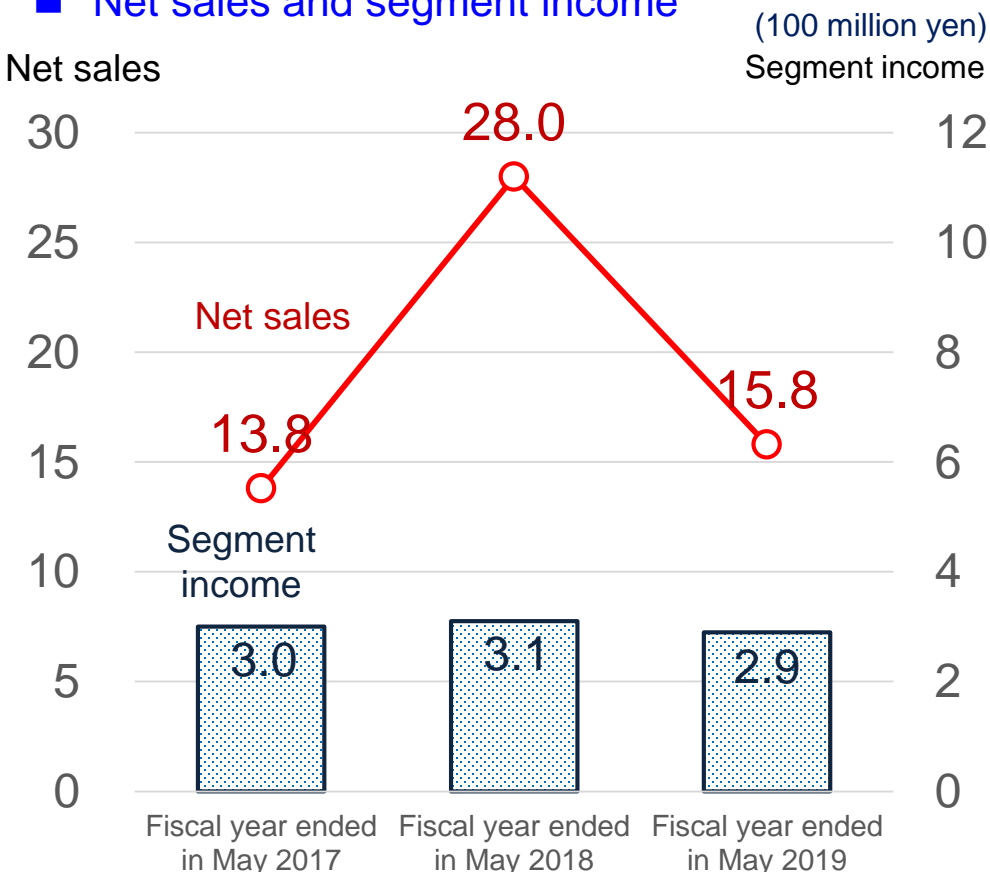


- Breakdown of effects of integrating industrial works at Shiga Ryuo Plant
 - Orders received exceeded 10 billion yen (non-consolidated) after four fiscal years.
 - Production efficiency increased.
 - Reduced selling, general & administrative expenses.
 - Recorded profits by covering the increase in depreciation expenses of 500 million yen, which reflects a substantial increase in profits of 1 billion yen.

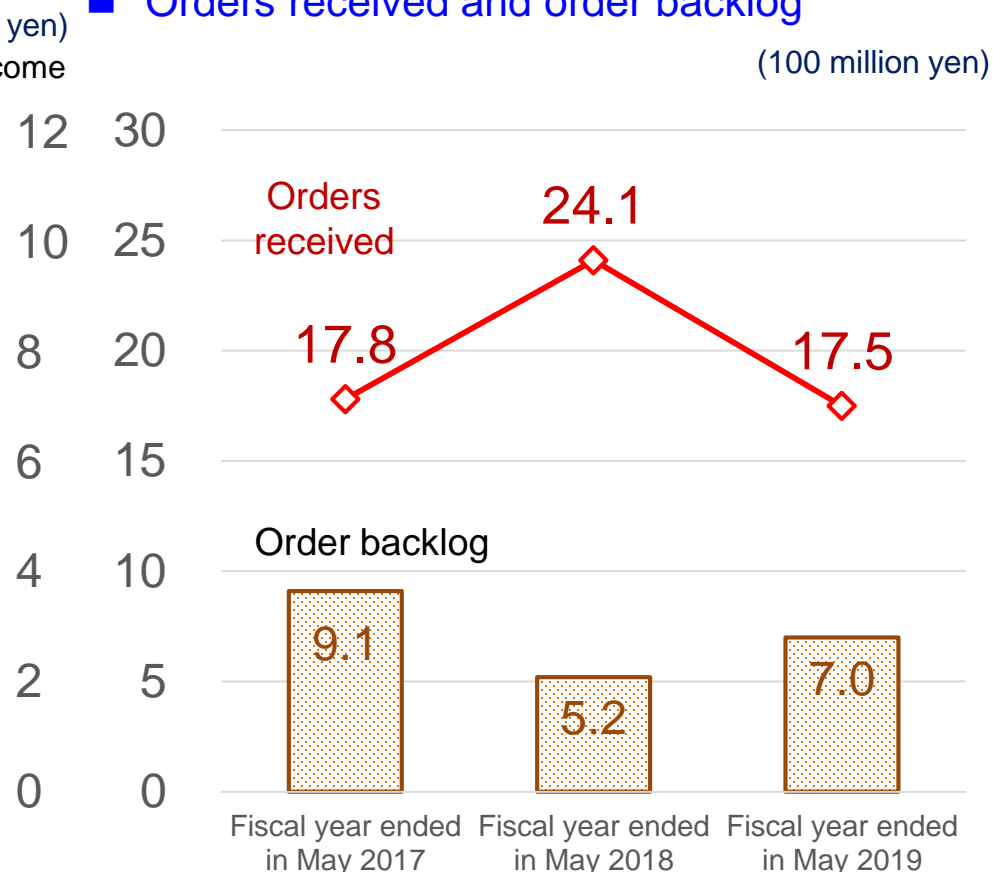
1-7. Segment Performance **Information Equipment Systems**

Sales decreased in reaction to the large projects in the previous fiscal year. Maintained business profitability by handling functional enhancement & software repair deals.

■ Net sales and segment income



■ Orders received and order backlog



- Both orders received and net sales decreased in reaction to large projects in the previous fiscal year.
- Maintained segment income by handling software repair and other projects.

1-8. Consolidated Financial Position

100 million yen

	May 31, 2018	May 31, 2019	YoY Change	Main increase and decrease factors
Total Assets	632	580	-52	
Current assets	286	260	-26	
Fixed assets	346	319	-27	Sale of investment securities -15
Total Liabilities	369	331	-38	
Of which, interest-bearing debt	161	154	-7	
Net Assets	263	248	-15	Treasury stock -8
Shareholders' Equity Ratio (%)	41.6%	42.8%	+1.2%	

1-9. Changes in Consolidated Cash Flows

- Cash flows from operating activities improved to +3.7 billion yen → includes depreciation and amortization of 1.7 billion yen and income before income taxes of 1.2 billion yen
- Cash flows from investing activities was -1.0 billion yen → Sale of cross-held shares of 1.4 billion yen, capital investment/investment & loans of -2.3 billion yen
- Net interest-bearing debt decreased 1.4 billion yen year on year

(million yen)

	Fiscal year ended in May 2015	Fiscal year ended in May 2016	Fiscal year ended in May 2017	Fiscal year ended in May 2018	Fiscal year ended in May 2019	Fiscal year ending in May 2020
Cash flows from operating activities	1,514	1,135	1,505	- 1,572	3,720	2,600
Depreciation and amortization	881	850	801	1,237	1,774	1,600
Cash flows from investing activities	- 988	- 937	- 4,691	- 3,087	- 1,019	- 500
Purchases of property, plant and equipment	- 830	- 451	- 3,901	- 3,448	- 2,277	- 760
Purchases of intangible assets	- 126	- 336	- 619	- 132	- 49	- 40
Proceeds from sales of investment securities	0	19	93	1,100	1,441	1,000
Investments in affiliates		- 196		- 491		- 750
Cash flows from financing activities	18	- 1,314	2,868	4,140	- 2,012	- 1,775
Purchases of treasury stock	- 4	- 3	- 302	- 2	- 800	0
Cash dividends paid	- 287	- 296	- 289	- 283	- 471	- 275
Free cash flow	526	198	- 3,186	- 4,659	2,701	2,100

Cash at the end of the period	3,570	2,401	2,091	1,555	2,240	2,500
Interest-bearing debt	9,423	8,305	11,755	16,171	15,423	14,000
Net interest-bearing debt	5,853	5,904	9,664	14,616	13,183	11,500

1-10. Dividends

Based on the basic policy to continue stable payout of dividends, the Company distributes dividend of 30 yen per share.

100 million yen

	FY ended in May 2019 (Result)	
	2Q	Full year
Net Sales	196.3	411.7
Operating Income (%)	-1.2	5.5 (1.4%)
Ordinary Income	-0.2	4.9
Net Income [Net income per share (yen)]	1.4 15.62	6.9 75.27
Dividend per share (yen)		30.0
Orders received	192.1	406.8

⇒ Year-end dividend for Fiscal 2018: 30 yen per share
Payout ratio of 39.9%

2. Outlook for Financial Results for Fiscal Year Ending in May 2020

2-1. Outlook for Financial Results for Fiscal Year Ending in May 2020 (Consolidated)

Aiming to achieve orders received of 43.0 billion yen and net sales of 42.0 billion yen.

100 million yen

	FY ended in May 2019 (Result)		FY ending in May 2020 (Forecast)		YoY Change
	2Q	Full year	2Q	Full year	Full year
Net Sales	196.3	411.7	201.0	420.0	+8.3
Operating Income (%)	-1.2	5.5 (1.4%)	3.0	9.0 (2.1%)	+3.5
Ordinary Income	-0.2	4.9	4.0	11.0	+6.1
Net Income [Net income per share (yen)]	1.4 15.62	6.9 75.27	4.0 44.73	9.0 100.65	+2.1 25.38
Dividend per share (yen)		30.0		30.0	
Orders received	192.1	406.8	205.0	430.0	+23.2

2-2. Forecast of Financial Results (by Segment)

100 million yen

		Transportation	Industry	Information Equipment
FY ending in May 2020 Forecast (Full year)	Net sales	267.0	138.0	15.0
	Segment income	28.0	9.5	2.5
	Orders received	273.0	145.0	12.0
YoY Change	Net sales	-5.3	+14.6	-0.8
	Segment income	+3.8	+3.0	-0.4
	Orders received	+12.2	+16.6	-5.5

3. Medium-term Management Plan “Revitalize 2020” / Topics

3-1. Medium-term Management Plan - Numerical Targets

Steadily moving forward with measures toward achieving the numerical targets set for net sales and operating income for the year ending in May 2020 under the medium-term management plan to improve earning power and establish a strong operating system.

(100 million yen, %)

	FY ended in May 2019 (Result)	FY ending in May 2020 (Plan)	FY ending in May 2022 (Plan)
Net Sales	411.7	430	Over 470
Operating Income	5.5	9	20
(Operating margin ratio)	(1.4%)	(2.1%)	(4.3%)
Ordinary Income	4.9	11	24
Net Income	6.9	7	16
<u>Investment gain on equity method</u>	0.1	1.2	4.0
<u>ROE</u>	2.7%	3.3%	5.0%
<u>Payout ratio</u>	39.9%	30.0%	30.0%

<Net sales by segment>

Transportation Systems	272.3	290	310
Industrial Systems	123.3	130	150
Information Equipment Systems	15.8	10	10

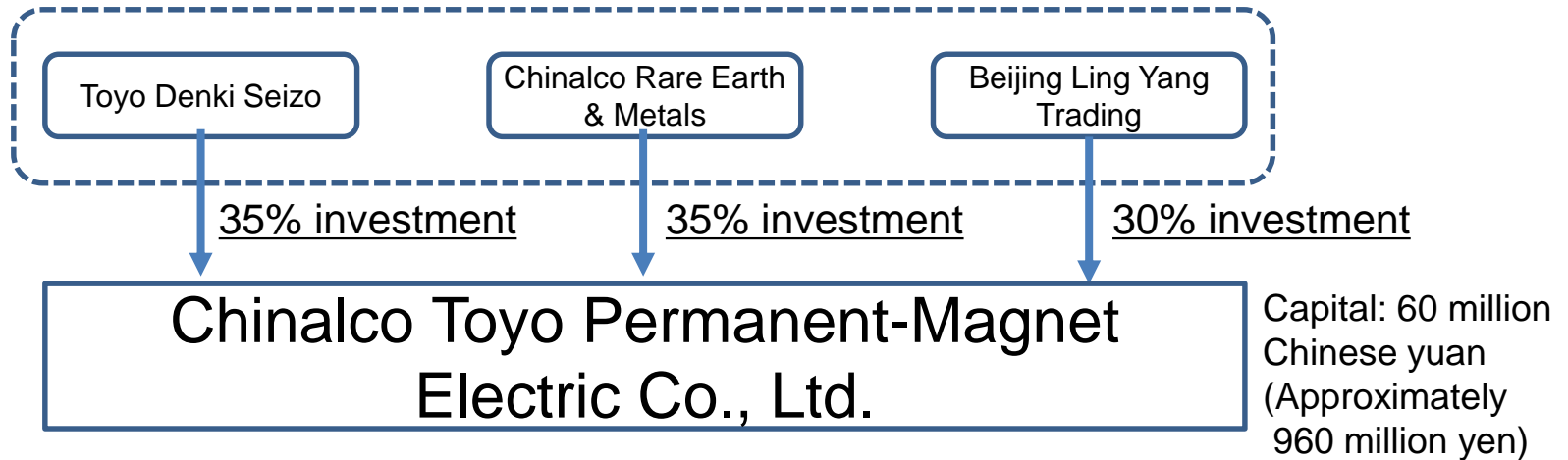
3-2. Expanding Overseas Business

Business activities in overseas by segment

		2005		2010		2015		2020		2025			
			08 Beijing Olympics & Paralympics	10 Shanghai Expo		14 Formation of CRRC Group		20 Tokyo Olympics & Paralympics		25 Osaka Expo			
China	Transportation	Electrical equipment for urban transportation	Local production (newly manufactured vehicles)		Entry into the maintenance business		Expansion of maintenance business						
		Electrical equipment for high-speed railways	Large-scale delivery (E27, E28)				Delivery for standard trains						
	Industry	Standalone motors	OEM				Establishment of Chinalco Toyo June 10, 2019						
		Systems	Respond by deal										
		Automotive electrical equipment	Respond by deal										
		Thailand	Sales structure reinforcement									Establishment of SIAM TOYO June 4, 2019	

3-3. Began Overseas Activities in the Industrials Systems Business on Full Scale

Established Chinalco Toyo, a joint venture with a Chinese local company for the first time in the Industrial Systems business.



3-4. Production Targets of Chinalco Toyo Permanent-Magnet Electric Co., Ltd.

Established a company for manufacturing permanent-magnet synchronous motors for production and processing facilities in order to respond to the energy-saving needs in China and ASEAN. Launch a plant for producing 5,000 units per year one year later.

- Chinalco Toyo is a joint venture established among three firms—Chinalco Rare Earth & Metals Co., Ltd., an affiliate of China’s leading corporate group Aluminum Corporation of China (CHINALCO), Beijing Ling Yang Trading Co., Ltd., a local trading company, and Toyo Denki Seizo.
- Initial efforts will be focused on replacing plant facilities of CHINALCO (holding 350,000 motors) with energy-saving equipment, followed by moves toward market expansion.
- Line-ups of motor capacity range from 11 to 250 kW.

Motor capacity (kW)	11	200	400	600	800
Chinalco Toyo’s line-up		←————→			
Toyo Denki Seizo’s line-up		←————→			

- Expecting to establish a mass-production structure of producing 20,000 units per year in 2024.

	2020/12	2021/12	2022/12	2024/12
Net sales (million yen)	330	700	890	2,500
Number of motor units sold	1,600	3,700	5,000	20,000



3-5. Electrical Equipment for Rolling Stock for Jakarta Mass Rapid Transit (MRTJ)

Delivered electrical equipment for Indonesia's first subway and contributed to establishing railroad infrastructure in Asia.



- Jakarta Mass Rapid Transit (MRTJ), Jakarta's first subway was launched in the spring of 2019. Introduced 16 pieces of 6-car rolling stock. Plan to expand facilities in conjunction with the line expansion going forward.
- Japanese firms have been in charge of all aspects of this project, from facilities on the ground to rolling stock. Toyo Denki Seizo delivered VVVF inverters, motors, pantographs, driving gear units, information systems for rolling stock, etc.

3-6. New Development

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

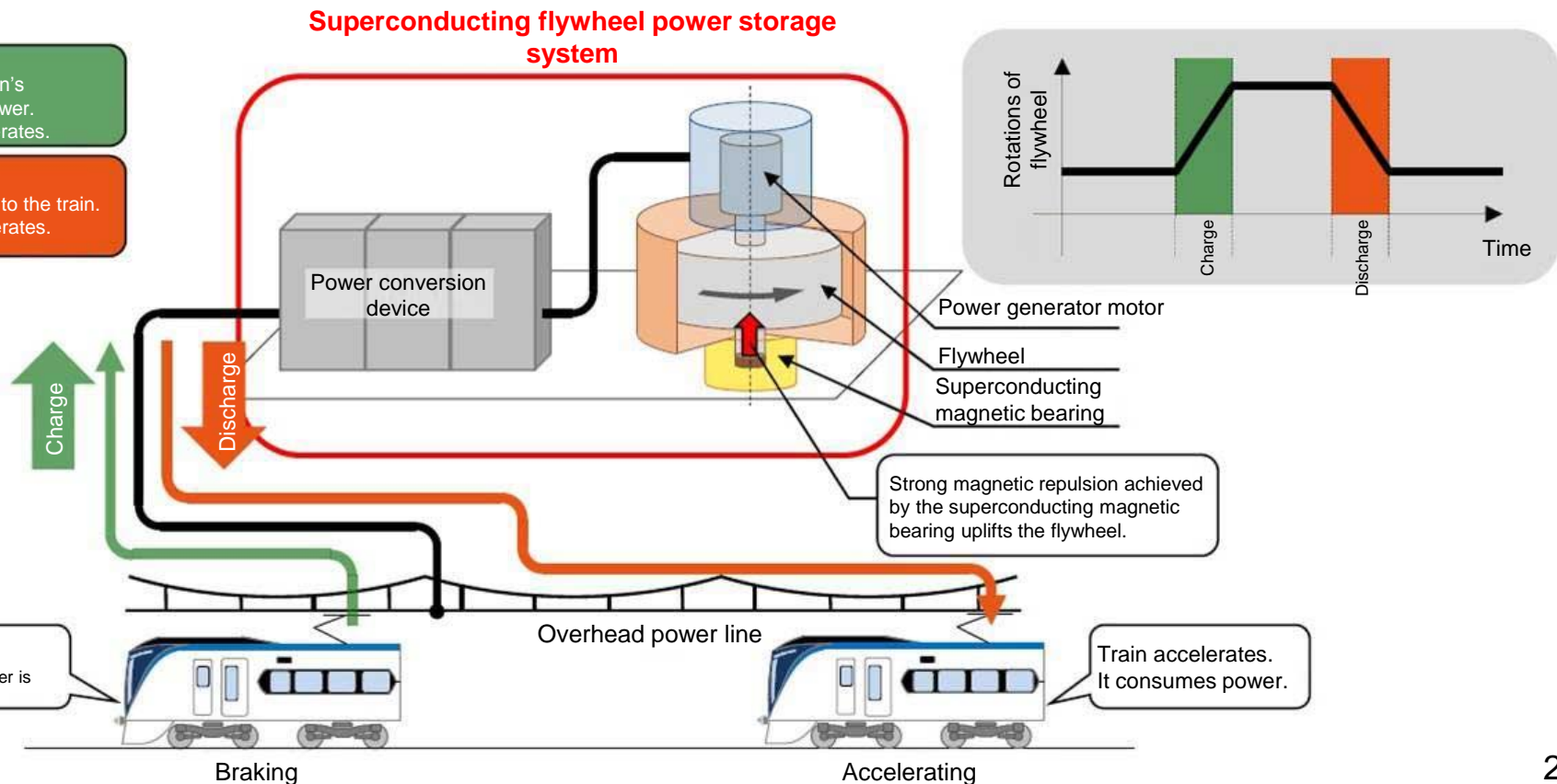
Received consignment of project operation, such as overall coordination toward verification testing and manufacturing of power conversion devices.

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.

Ground breaking ceremony for verification testing facility was held at Anayama Substation on the Chuo Line. Begin delivery of primary goods.

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

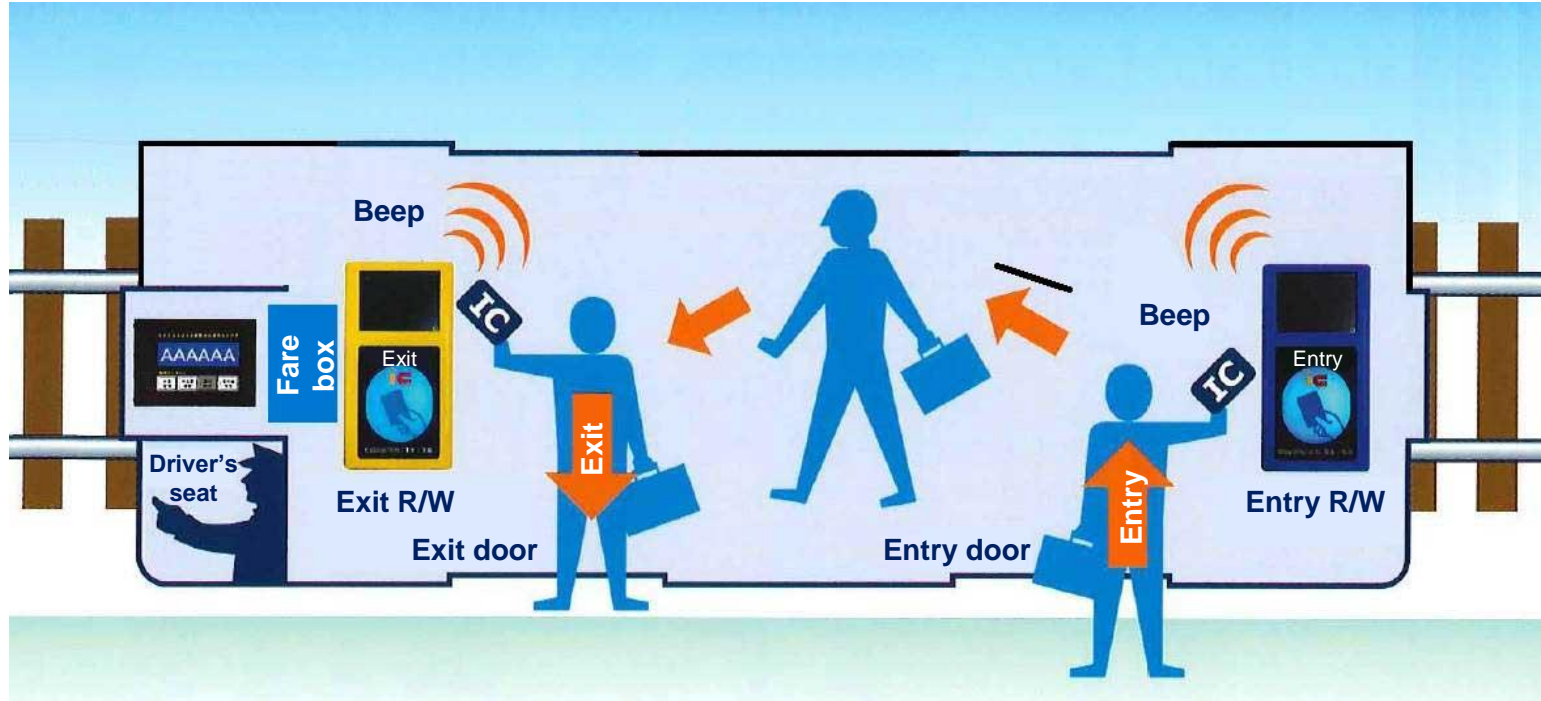
At discharge:
Supplies power to the train.
Flywheel decelerates.



3-7. New Development

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.
- Even when traveling from a large metropolis to a rural region, train fares under a complicated network structure can be settled at one time when getting off the train.
- It began operation for West Japan Railway's Sakai Line in the spring of 2019.

3-8. Topics

- **Automotive Engineering Exposition 2019**

Exhibited the new product of a flat-type dynamo installed in a car at the Exposition in May. There are high expectations from automakers and others.

- **Opening of SIAM TOYO (June 2019)**

Made the representative office in Thailand into a local affiliate to respond to the needs of customers.

- **Handing down technologies and skills**

Employee who has been engaged in the manufacture of electrical equipment for railway rolling stock for 40 years at the Company's Yokohama Plant received the Medal with Yellow Ribbon for the first year of the Reiwa Era.

- **Social contribution**

Shiga Ryuo Plant: Received visits from local elementary and high school students.

Yokohama Plant: (1) Conducted cleaning activities in the neighborhood together with the local government and neighboring firms.
(2) Received the Yokohama Global Warming Prevention Award from Yokohama City. Solar power generation on the roof of the plant contributed to reducing CO₂ emissions.



<Automotive Engineering Exposition 2019>



<Opening of SIAM TOYO>

Thank you for your interest.

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

<Inquiries>

Toyo Denki Seizo K.K.

PR, IR, and CSR Department, Management Planning Division

TEL: +81-3-5202-8122

Email: contact@toyodenki.co.jp



Disclaimer

- 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.