

---

# **Financial Results Briefing First Half of Fiscal 2019 (Ended November 30, 2019)**

---

January 15, 2020

Toyo Denki Seizo K.K.

- Briefing on Financial Results: 30 minutes

1. Overview of Financial Results for First Half of Fiscal 2019
2. Outlook for Financial Results for Fiscal Year Ending in May 2020
3. Topics

- Q&A: 20 minutes

1. Overview of Financial Results for  
First Half of Fiscal 2019  
(From June 2019 to November 2019)

# 1-1. Overview of Consolidated Financial Results

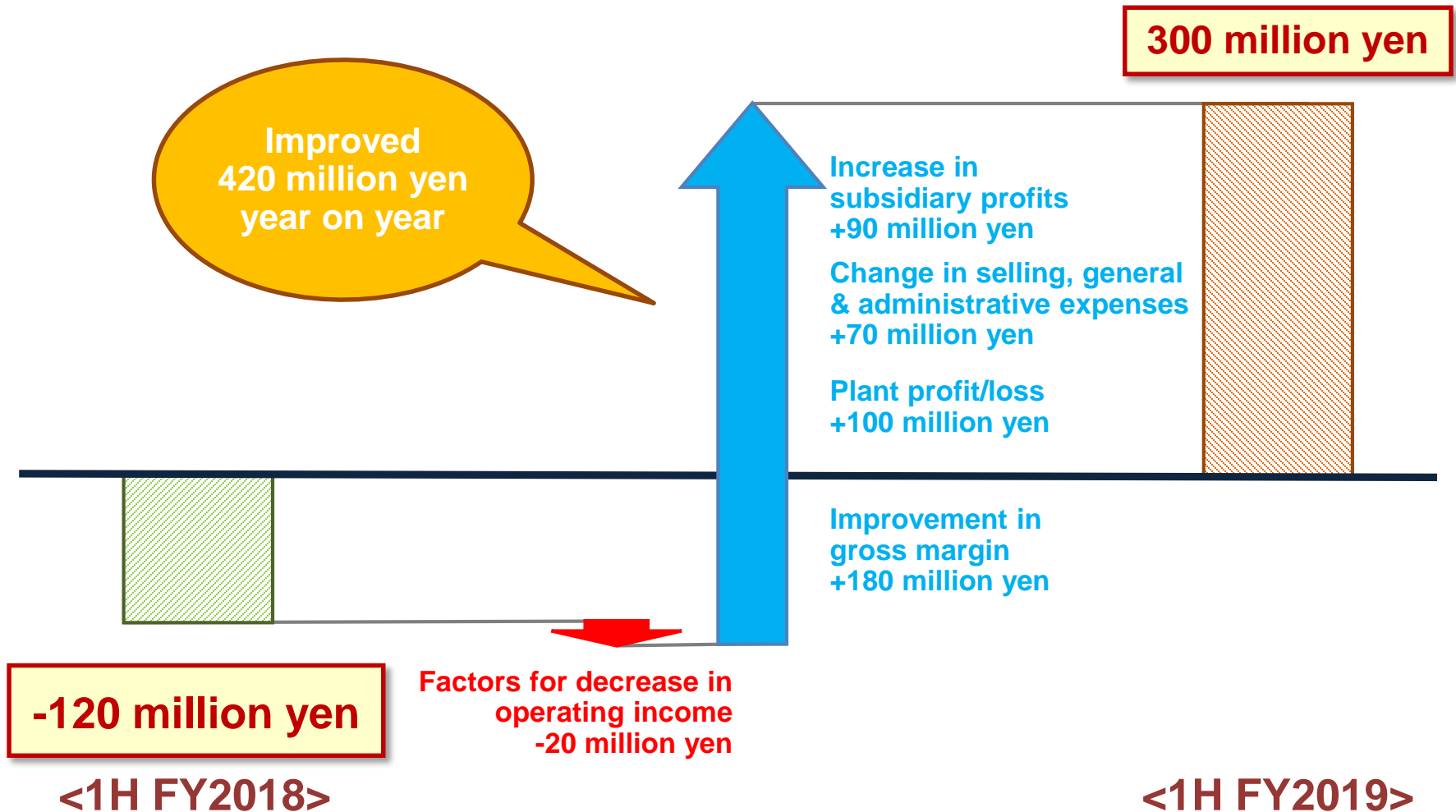
Net sales were comparable to the results of a year earlier. Operating income significantly improved and the Company posted profits in the first half as planned.

100 million yen

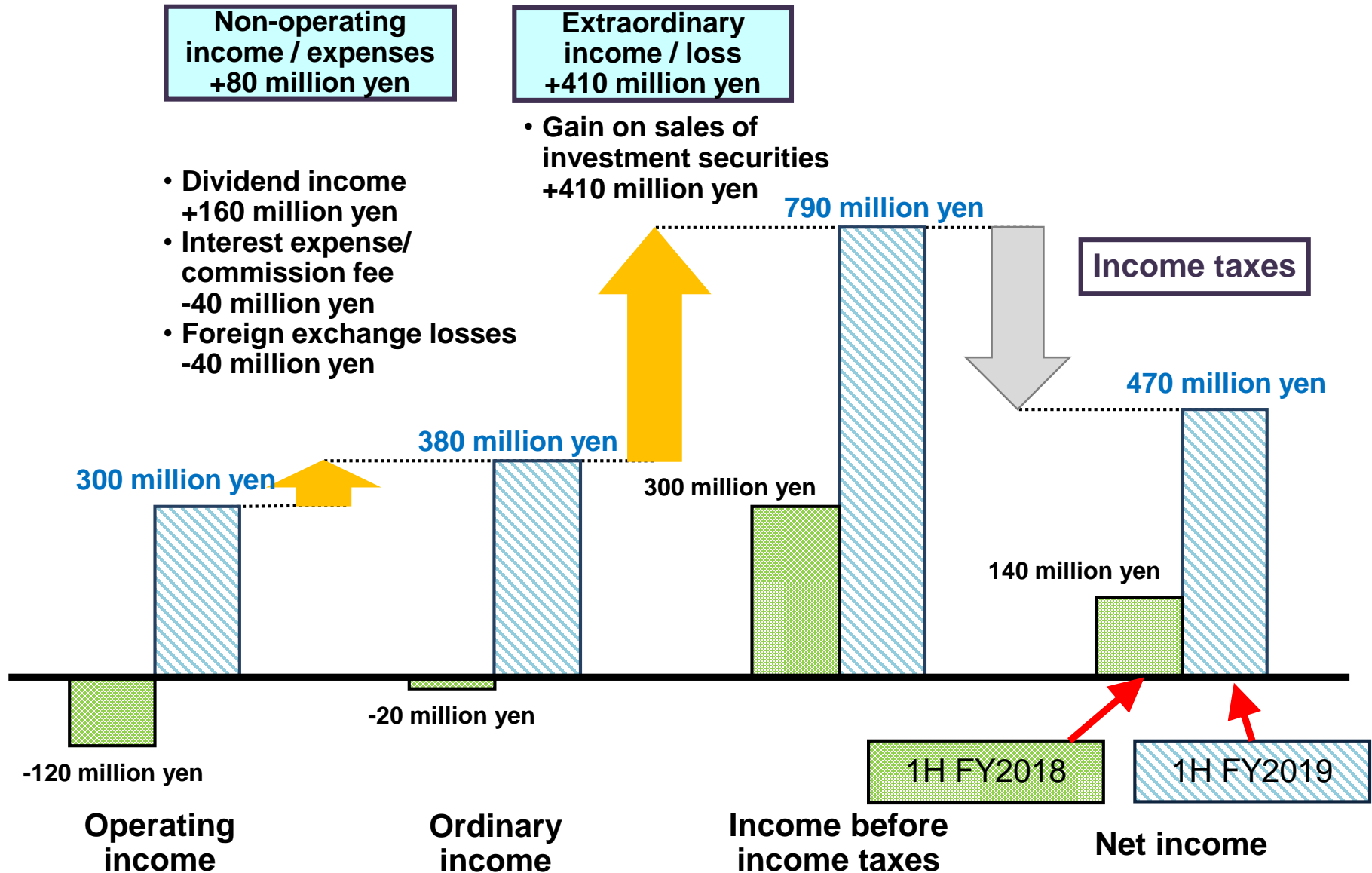
	1H FY2018	1H FY2019	YoY Change		Published value (November 2019)	Published value ratio	
				%			%
<b>Net Sales</b>	<b>196.3</b>	<b>193.9</b>	<b>-2.4</b>	<b>-1.2%</b>	<b>201.0</b>	<b>-7.0</b>	<b>96.5%</b>
<b>Operating Income</b> (%)	<b>-1.2</b> —	<b>3.0</b> (1.5%)	<b>+4.2</b> —	— —	<b>3.0</b> (1.4%)	<b>+0.0</b> (+0.0pt)	<b>100.0%</b> —
<b>Ordinary Income</b>	<b>-0.2</b>	<b>3.8</b>	<b>+4.0</b>	—	<b>4.0</b>	<b>-0.2</b>	<b>95.0%</b>
<b>Net Income</b> [Net income per share (yen)]	<b>1.4</b> 15.62	<b>4.7</b> 52.63	<b>+3.2</b> <b>+37.01</b>	<b>+221.4%</b> —	<b>4.0</b> 44.73	<b>+0.7</b> <b>+7.90</b>	<b>117.5%</b> —
<b>Orders received</b>	<b>192.1</b>	<b>203.4</b>	<b>+11.2</b>	<b>+5.9%</b>	<b>200.0</b>	<b>+3.4</b>	<b>101.7%</b>
<b>Ratio of overseas sales to net sales</b>	<b>22.9%</b>	<b>20.8%</b>	<b>-2.1pt</b>	—			

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

Operating income covered the depreciation burden (approximately 220 million yen) associated with the installation of the Shiga Ryuo Plant and posted profits.



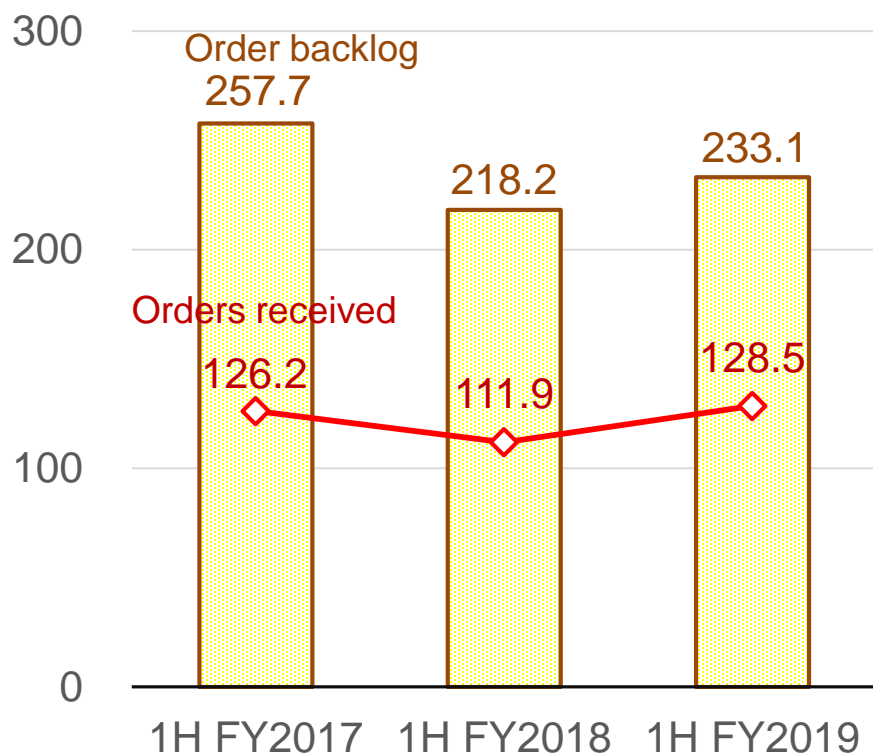
# 1-3. Breakdown of non-operating income/expenses and extraordinary income/loss



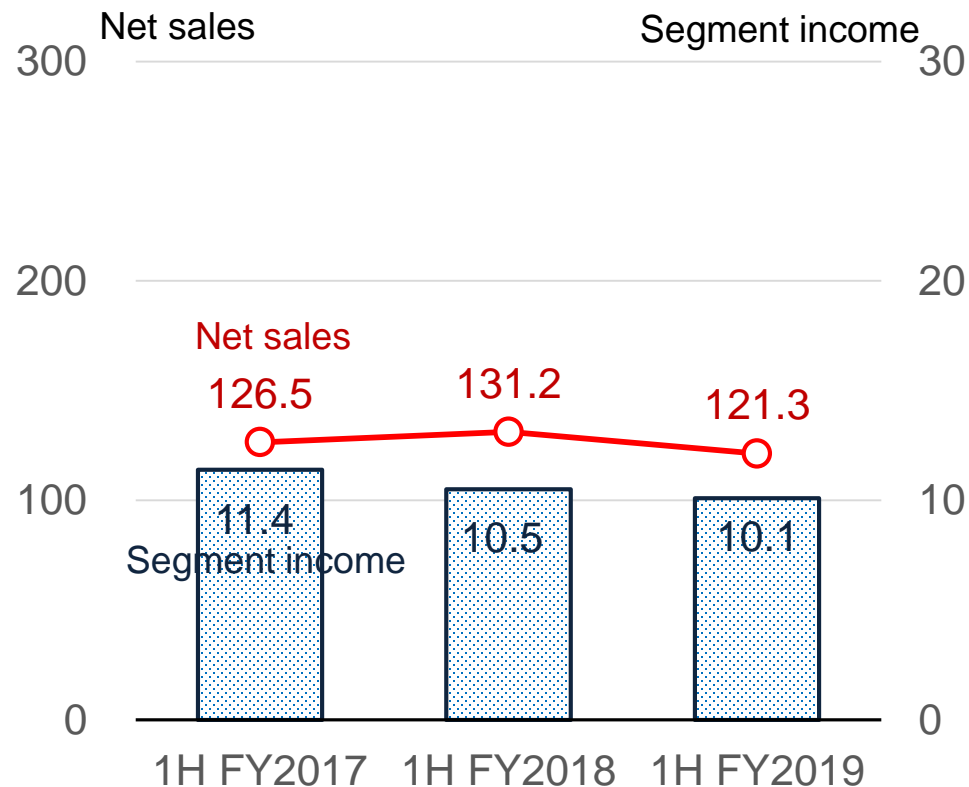
# 1-4. Segment Performance **Transportation Systems**

Segment income was comparable to the level of a year earlier despite lower sales. Orders are on a recovery trend.

■ Orders received and order backlog



■ Net sales and segment income (100 million yen)



- Orders received increased for JR and China, and turned to a recovery trend.
- Segment income was comparable to the level of a year earlier although net sales declined due to the impact of a decrease in orders received in the previous fiscal year.

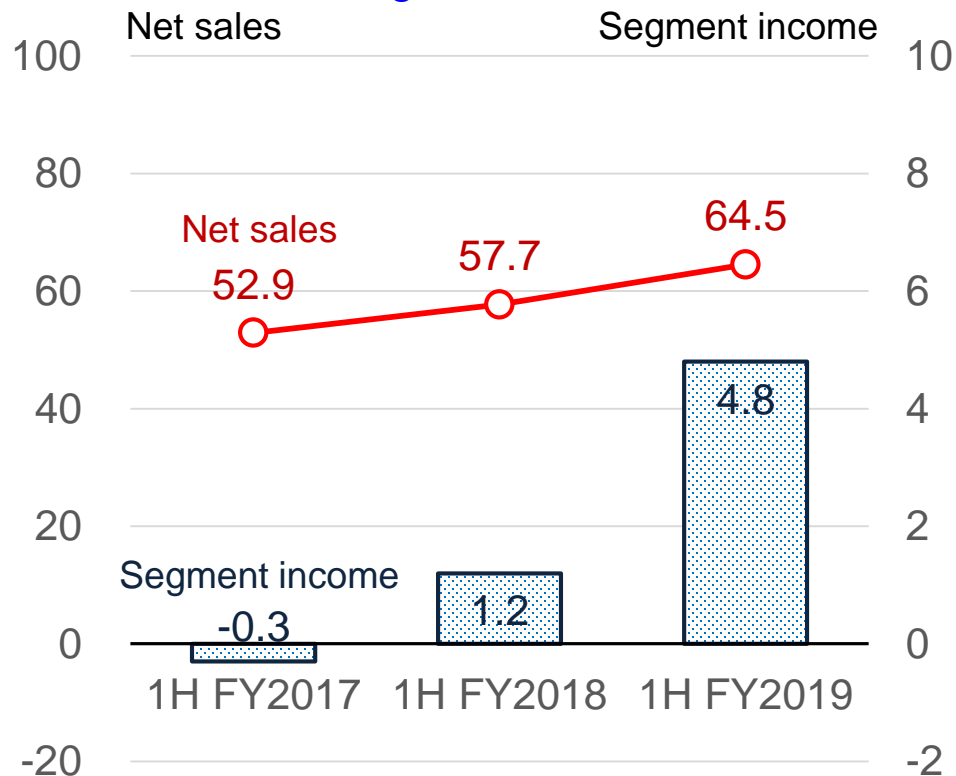
# 1-5. Segment Performance **Industrial Systems**

Effects of Ryuo integration (increase in production efficiency) contributed to increasing productivity.

■ Orders received and order backlog



■ Net sales and segment income (100 million yen)



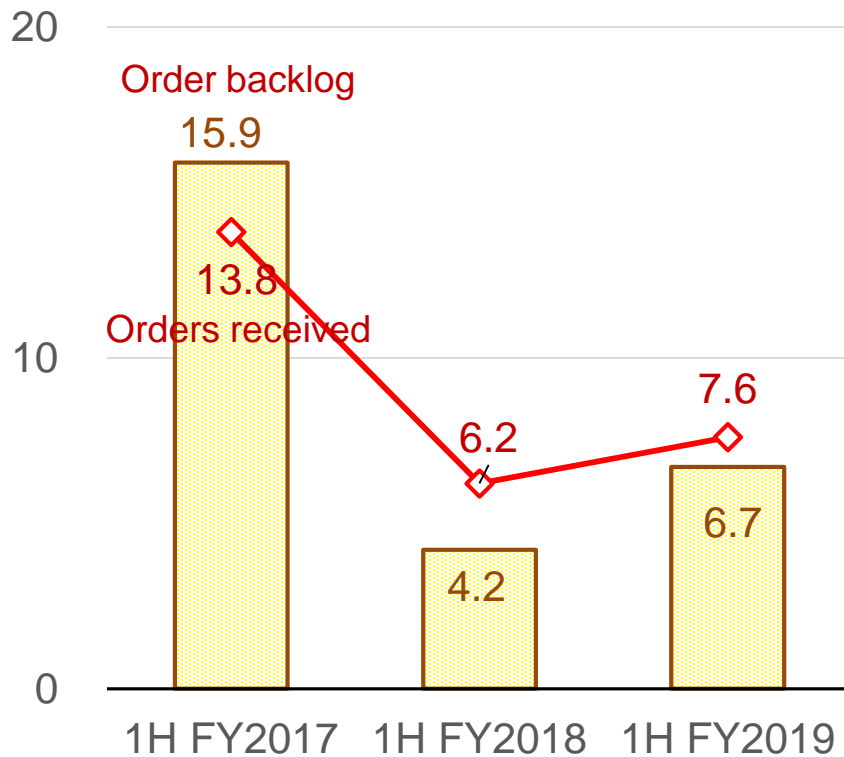
- Orders received declined due to new large-scale projects in the previous year. Testing devices continued to be steady.
- Net sales and segment income increased due to the significant growth for testing devices. New large-scale projects also contributed to performance.



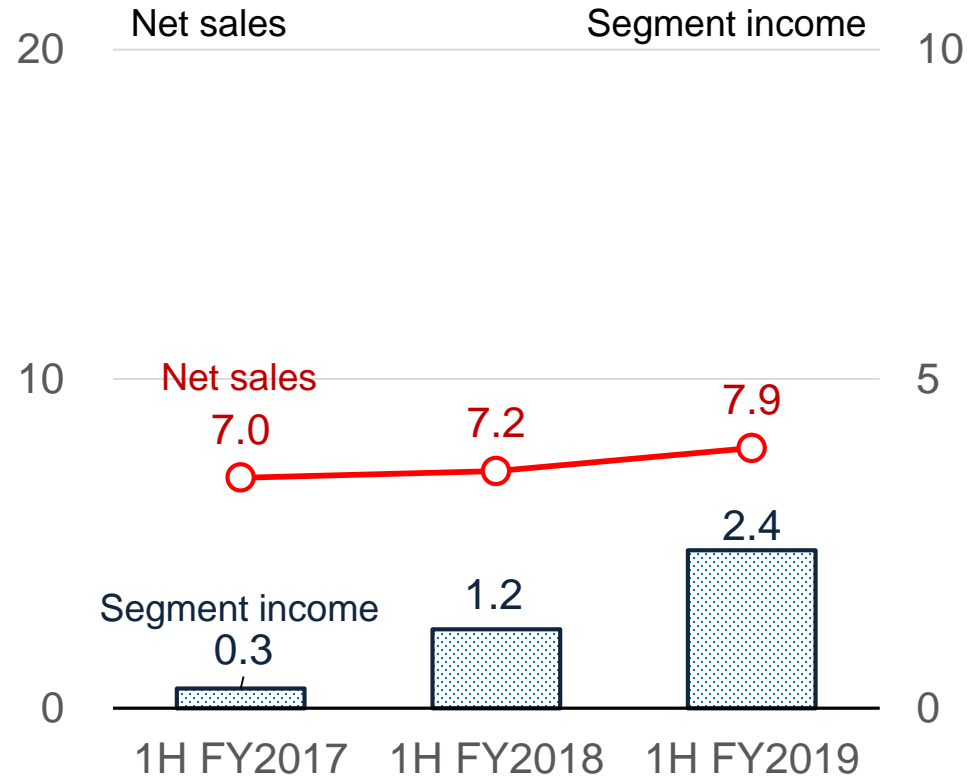
# 1-6. Segment Performance Information Equipment Systems

Orders received, net sales and segment income all increased.

■ Orders received and order backlog



■ Net sales and segment income (100 million yen)



- Orders received increased in response to consumption tax revisions and compound issuing device projects.
- Net sales and segment income increased in response to consumption tax revisions.

# 1-7. Consolidated Financial Position

100 million yen

	May 31, 2019	Nov 30, 2019	Change	Remarks
<b>Total Assets</b>	<b>580</b>	<b>580</b>	<b>+0</b>	
Current assets	260	257	-3	
Fixed assets	319	323	+3	
<b>Total Liabilities</b>	<b>331</b>	<b>325</b>	<b>-6</b>	
Of which, net interest-bearing debt	131	138	+7	November 30, 2018: 177 (-38.5)
<b>Net Assets</b>	<b>248</b>	<b>255</b>	<b>+7</b>	Unrealized holding gain/loss on available-for-sale securities: +6
Shareholders' equity ratio (%)	42.8%	44.0%	+1.2pt	

## 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)

Orders received of 43.0 billion yen, net sales of 42.0 billion yen, operating income of 0.9 billion yen - No change from the initial plan

100 million yen

	FY ended in May 2019 (Result)		FY ending in May 2020		YoY Change
	2Q	Full year	2Q (Result)	Full year (Forecast)	Full year
<b>Net Sales</b>	196.3	411.7	<b>193.9</b>	<b>420.0</b>	<b>+8.3</b>
<b>Operating Income</b> (%)	-1.2	5.5 (1.4%)	<b>3.0</b>	<b>9.0</b> (2.1%)	<b>+3.5</b>
<b>Ordinary Income</b>	-0.2	4.9	<b>3.8</b>	<b>11.0</b>	<b>+6.1</b>
<b>Net Income</b> [Net income per share (yen)]	1.4 15.62	6.9 75.27	<b>4.7</b> <b>52.63</b>	<b>9.0</b> <b>100.65</b>	<b>+2.1</b> <b>+25.38</b>
<b>Dividend per share (yen)</b>		30.0		<b>30.0</b>	
<b>Orders received</b>	192.1	406.8	<b>203.4</b>	<b>430.0</b>	<b>+23.2</b>

## 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	+3.7	+3.0	-0.4
	Orders received	+12.2	+16.6	-5.5

# 3. Topics

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

**Stably generating profits and steadily pursuing measures to establish a lean business operating structure.**

(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
Investment gain on equity method	0.1	1.2	4.0
ROE	2.7%	3.3%	5.0%
Payout ratio	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. Medium-term Management Plan - Progress

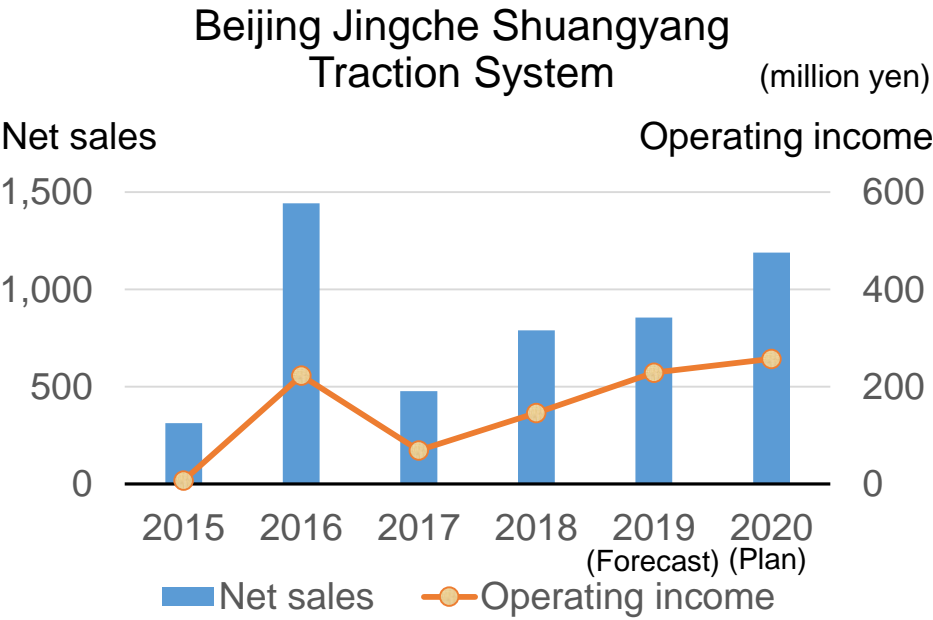
**Steady progress in the first two years (fiscal year ended in May 2019 and fiscal year ending in May 2020).**

- ◆ Expanding the overseas business  
Expanded the maintenance business for municipal transportation in China and began manufacturing pantographs.  
Will begin production of energy-saving permanent magnet motors in China in March 2020.
- ◆ Establishing a stable business earnings structure  
Integrated production sites in the Industrial Systems segment with the aim of enhancing production efficiency. Began operation of the Shiga Ryuo Plant.
- ◆ Developing foundations for expanding production capacity  
Upgraded core systems with the aim of enhancing production efficiency.  
Implemented an automatic conveyance system linked with the production system at the Shiga Ryuo Plant.
- ◆ Promoting ESG  
Contributing to the environment and society and reinforcing our corporate governance.

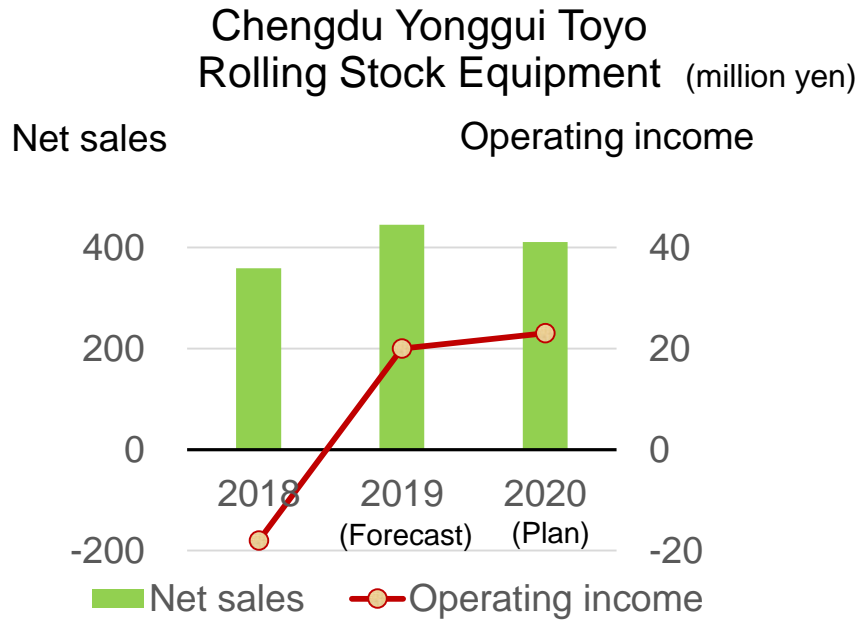


# 3-3. Status of Overseas Business Activities in the Transportation Systems Segment

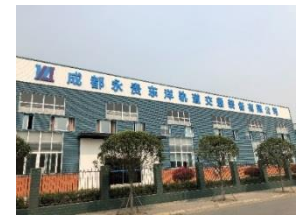
The two newly established affiliates in China are performing steadily. The joint venture firm's business form is entering a transition stage.



- Promoted the maintenance business in Beijing.
- The maintenance business for Beijing Olympic vehicles will be operated full scale in 2020 and onward.

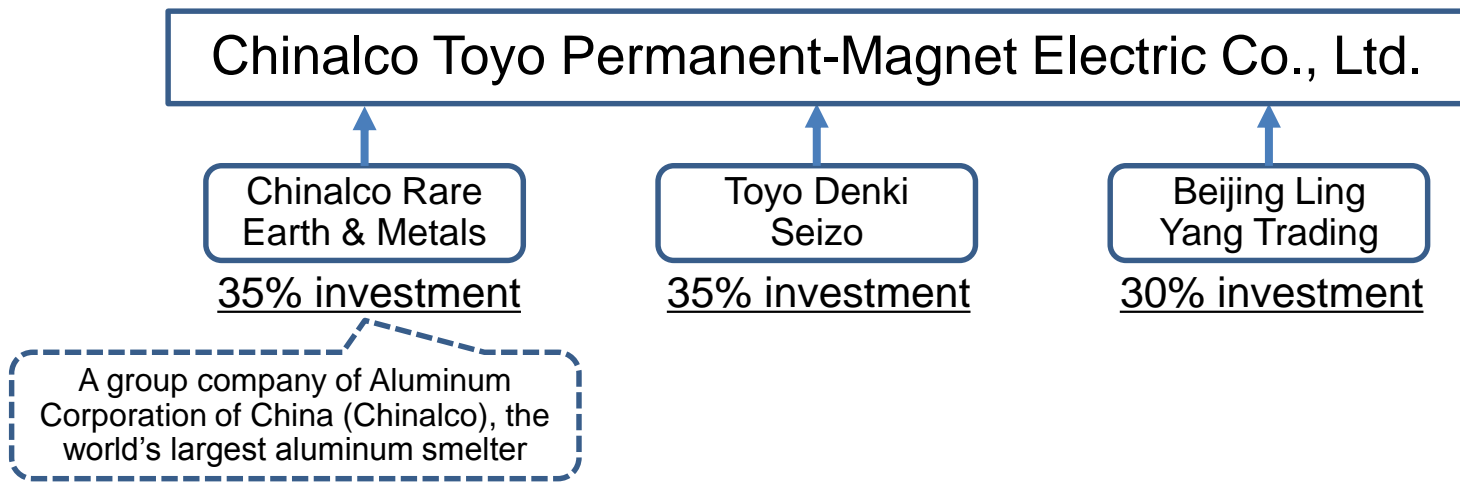


- Promoted the pantograph business in Chengdu.
- Performance exceeded the plan and the firm recorded profits in only its second year of establishment.



# 3-4. Status of Overseas Business Activities in the Industrial Systems Segment

Established Chinalco Toyo, the first overseas manufacturing site in the Industrial Systems segment, in June 2019.



Exterior and interior of Chinalco Toyo

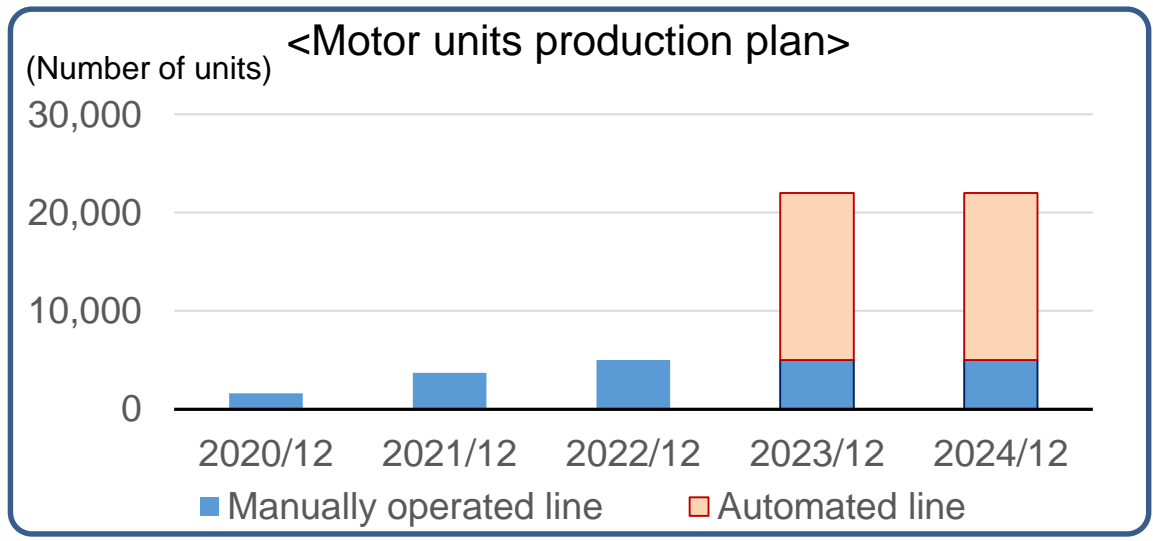


At the ceremony for commencement of work (held at the new plant on September 13, 2019)

# 3-5. Status of Overseas Business Activities in the Industrial Systems Segment

## Production Plan of Chinalco Toyo

- ◆ Established a permanent-magnet motor manufacturing company to respond to energy-saving needs in China.  
2020: Launch a plant with an annual production capacity of 5,000 units.  
2023: Launch a mass-production line with an annual production capacity of 20,000 units.
- ◆ Start with replacing plant facilities of Chinalco Group (holding 350,000 motors) with energy-saving equipment.
- ◆ Start operation in March 2020, with full-scale operation scheduled for June 2020.



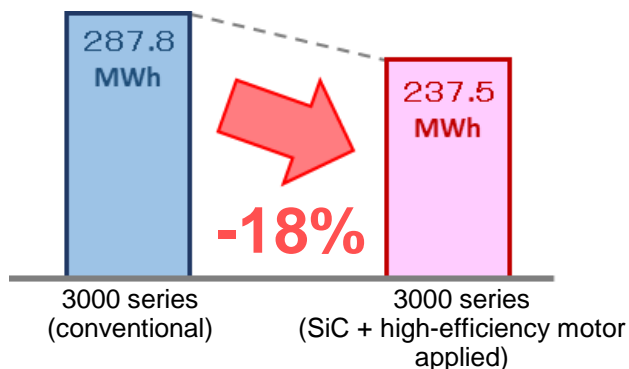
<Inspection of components at the local supplier in China>

## 3-6. Product Development (Transportation Systems)

### Development of core circuit system that accommodates energy conservation

Delivered VVVF inverter using SiC elements and high-efficiency totally-enclosed motor for Keisei Electric Railway's new 3100 series rolling stock.

As a result of the trial installation of the core circuit system on Keisei Electric Railway's 3000 series, we managed to save energy by **18%** compared to the conventional system.



<Totally-enclosed motor>

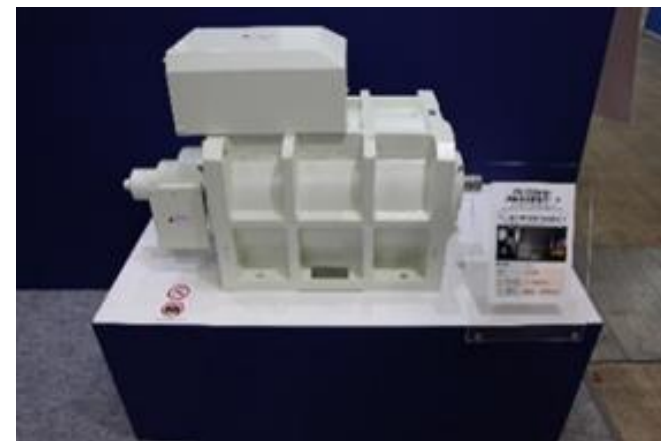
- \* 3100 series: VVVF inverter using SiC-IGBT + high-efficiency totally-enclosed motor
- 3000 series: VVVF inverter using Si-IGBT + conventional induction motor

# 3-7. Product Development (Industrial Systems)

## Testing devices for automotive development

- ◆ Flat-type dynamo (in-wheel-well dynamo)  
Focusing on the commercialization of in-wheel-well dynamo that renews the concept of conventional testing devices.  
Verification of functions as a testing device is under way using actual vehicles.
- ◆ Low-inertia high-speed rotation (20000 rpm) dynamo  
Commercialized 20000 rpm dynamo in the previous fiscal year and received the first order.  
Having received inquiries on the product for HEV and EV applications, which are the original targets, we are in the process of offering proposals.

Main part of dynamo



## 3-8. ESG Initiatives (1)

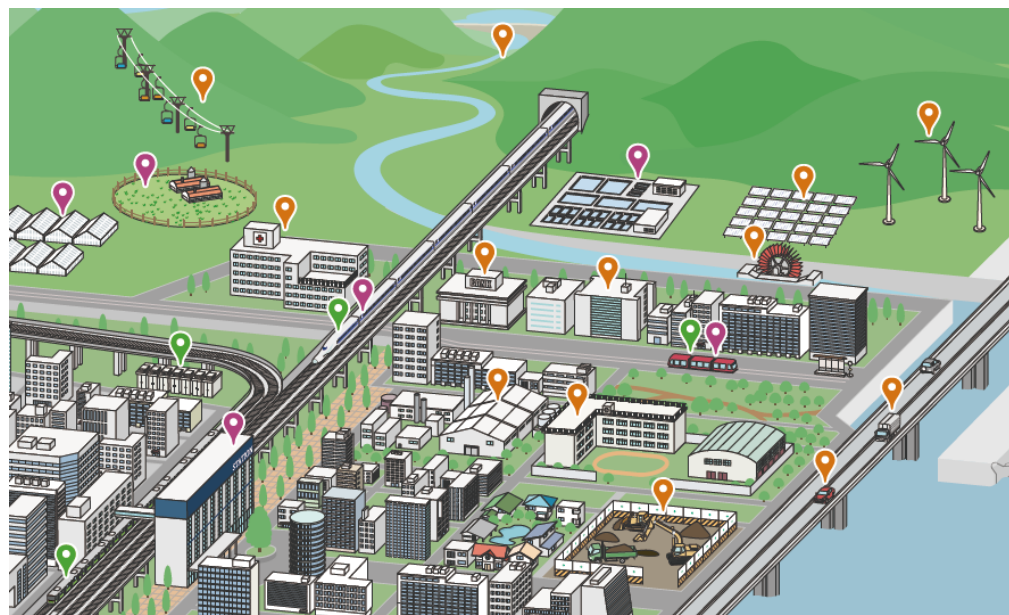
### Contributing to the establishment of safe and secure social infrastructure and its sustainable development


The Company's products (motors and inverters) are widely adopted by railway operators, automotive manufacturers, and plant facilities, and contribute to reducing environmental burden and establishing and developing social infrastructures.

Efforts are made particularly on penetration of energy-saving products toward achieving sustainable development goals 7 and 13.

“SDG 7: Affordable and clean energy”

“SDG 13: Climate action”



<  The Company's products are widely used in society.>

## 3-9. ESG Initiatives (2)

### Specific initiatives:

#### Environment

- Production and sales of high-efficiency, energy-saving products
  - Electric equipment for railroad rolling stock
  - Industrial motors and inverters
  - Contribution to energy conservation in China and ASEAN countries
- Contributing to renewable energy
  - Biomass power generation
  - Small hydropower generation

#### Society

- Contribution to the development of social infrastructures, including urban transportation in Japan and abroad
- Contribution to enhancing productivity in supply chains in Japan and abroad
- Provision of lectures to local governments and education institutions
- Promoting comfortable workplaces for employees (support for diverse work styles)

#### Governance

- Making outside directors account for one-third of board members
- Introduction of an operating officer system that clearly separates supervision and execution

**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](mailto:contact@toyodenki.co.jp)**





- 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.