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# **Financial Results Briefing Fiscal 2020 (Ended May 31, 2021)**

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July 16, 2021  
Toyo Denki Seizo K.K.

# Program

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- Briefing on Financial Results: 40 minutes
  1. Overview of Financial Results for Fiscal 2020
  2. Outlook for Financial Results for Fiscal Year Ending May 2022
  3. Progress and Specific Initiatives in Medium-Term Management Plan
- Q&A: 20 minutes

# 1. Overview of Financial Results for Fiscal 2020 (From June 2020 to May 2021)

# 1-1. Overview of Consolidated Financial Results

Although sales and profits declined from the previous fiscal year due to the impact of the novel coronavirus, profits exceeded the published value. Orders received decreased year on year.

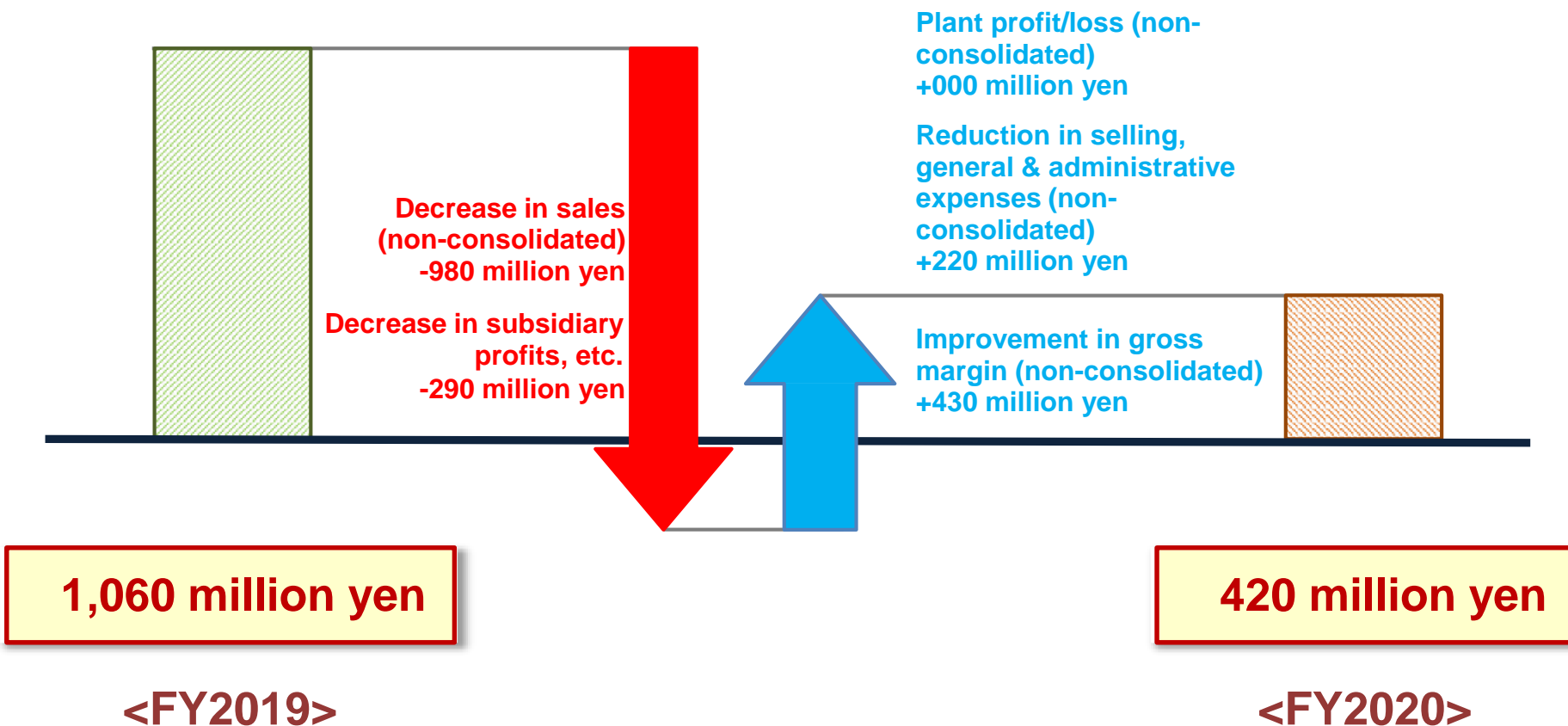
100 million yen

	FY2019	FY2020	YoY Change		Published value (May 2021)	Published value ratio	
				%			%
<b>Net Sales</b>	<b>390.7</b>	<b>331.4</b>	<b>-59.2</b>	<b>-15.2%</b>	<b>340.0</b>	<b>-8.6</b>	<b>97.4%</b>
<b>Operating Income</b> (%)	<b>10.6</b> (2.7%)	<b>4.2</b> (1.3%)	<b>-6.4%</b> (-1.4pt)	<b>-60.3%</b> —	<b>2.5</b> (0.7%)	<b>+1.7</b> (+0.6pt)	<b>169.2%</b> —
<b>Ordinary Income</b>	<b>12.0</b>	<b>7.5</b>	<b>-4.5</b>	<b>-37.3%</b>	<b>5.0</b>	<b>+2.5</b>	<b>151.4%</b>
<b>Net Income</b> [Net income per share (yen)]	<b>10.8</b> <b>120.98</b>	<b>9.7</b> <b>109.38</b>	<b>-1.0</b> <b>-11.60</b>	<b>-9.6%</b> —	<b>7.0</b> <b>78.28</b>	<b>+2.7</b> <b>+31.10</b>	<b>139.5%</b> —
<b>ROE</b>	<b>4.4%</b>	<b>4.1%</b>	<b>-0.3pt</b>	<b>—</b>			
<b>Orders received</b>	<b>385.2</b>	<b>300.5</b>	<b>-84.7</b>	<b>-22.0%</b>	<b>315.0</b>	<b>-14.5</b>	<b>95.4%</b>
<b>Ratio of overseas sales to net sales</b>	<b>20.7%</b>	<b>15.9%</b>	<b>-4.8 pt</b>	<b>—</b>			

Business Environment	
<b>Transportation Systems</b>	<p>&lt;Domestic&gt;                      Due to the impact of novel coronavirus infections, the number of people transported by railway operators decreased significantly, and some of the operators postponed plans to build new trains and replace old ones.</p>
	<p>&lt;Overseas&gt;                      Although the economy in China, where the impact of novel coronavirus infections has been brought under control ahead of other countries, is recovering, there was a temporary suspension of new vehicle construction projects and a decrease in demand for maintenance parts for products delivered in the past.</p>
<b>Industrial Systems</b>	<p>&lt;Domestic&gt;                      Although capital investment in the manufacturing sector was suspended due to uncertainty about the future, a certain recovery was seen in the latter half of the fiscal year.</p>
	<p>&lt;Overseas&gt;                      Restrictions on activities that involved contact with customers and the movement of people constrained the installation and start-up of products delivered to customers.</p>

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

Although operating income decreased due to lower net sales, the extent of the decrease in income was reduced by improving gross profit and cutting expenses.



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

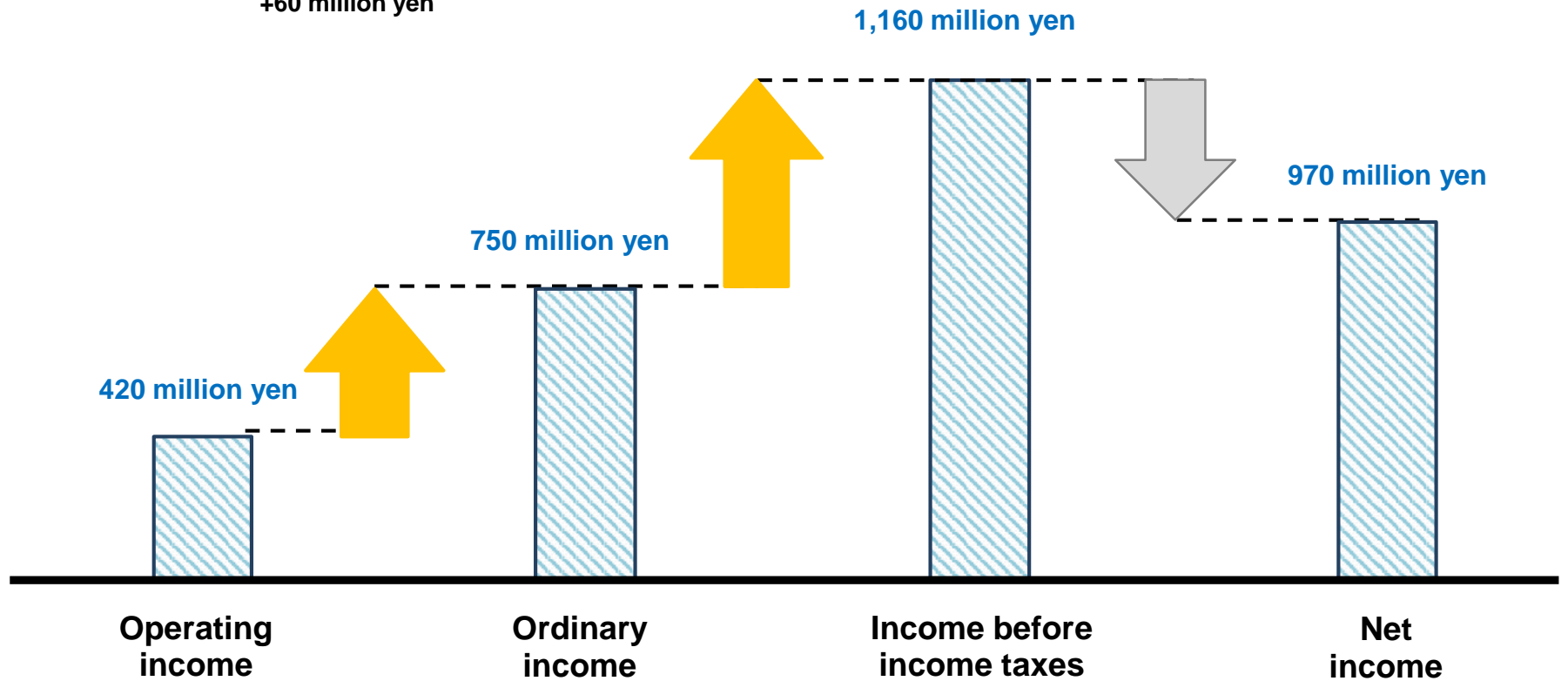
**Non-operating income/expenses**  
**+330 million yen**

- Dividend income +200 million yen
- Foreign exchange gain +130 million yen
- Interest expense -60 million yen
- Other +60 million yen

**Extraordinary income/loss**  
**+400 million yen**

- Sales of investment securities +400 million yen

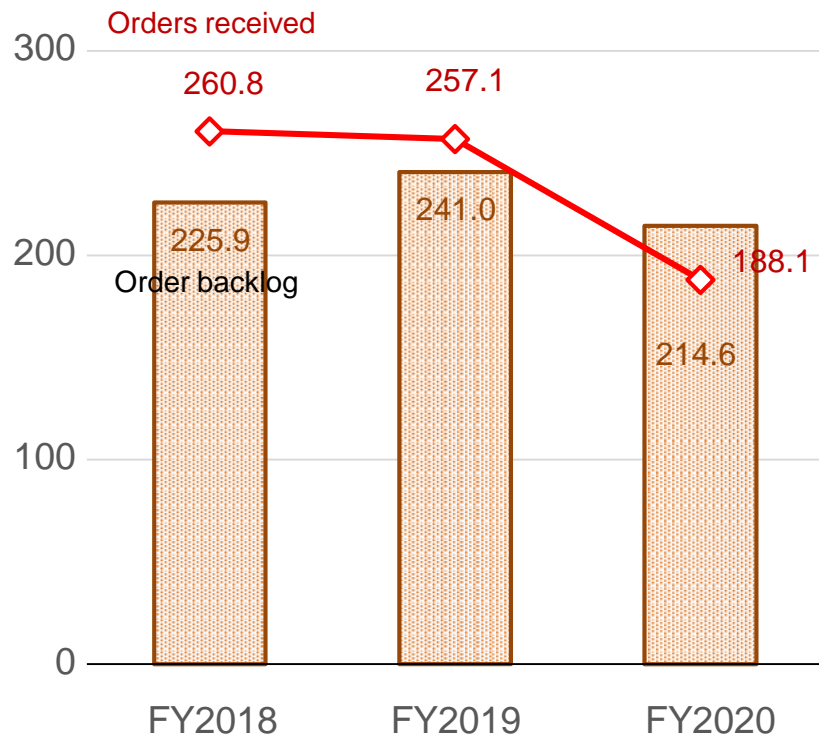
**Income taxes**



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

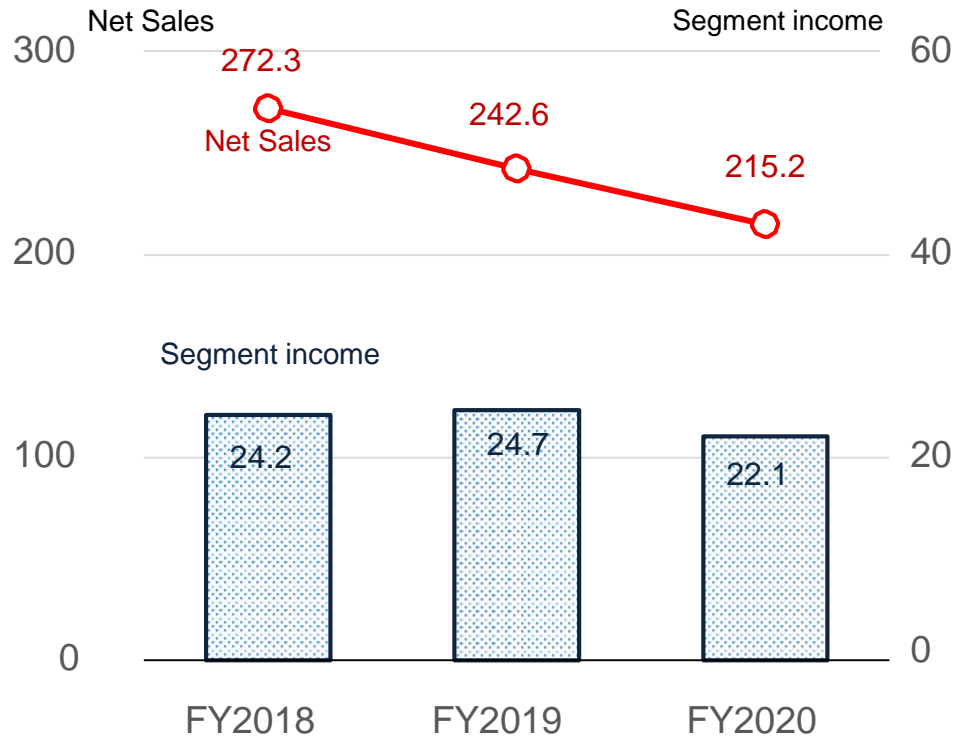
The extent of profit decline was minimized despite decreases in orders received, net sales, and income.

■ Orders received and order backlog



■ Net sales and segment income

(100 million yen)

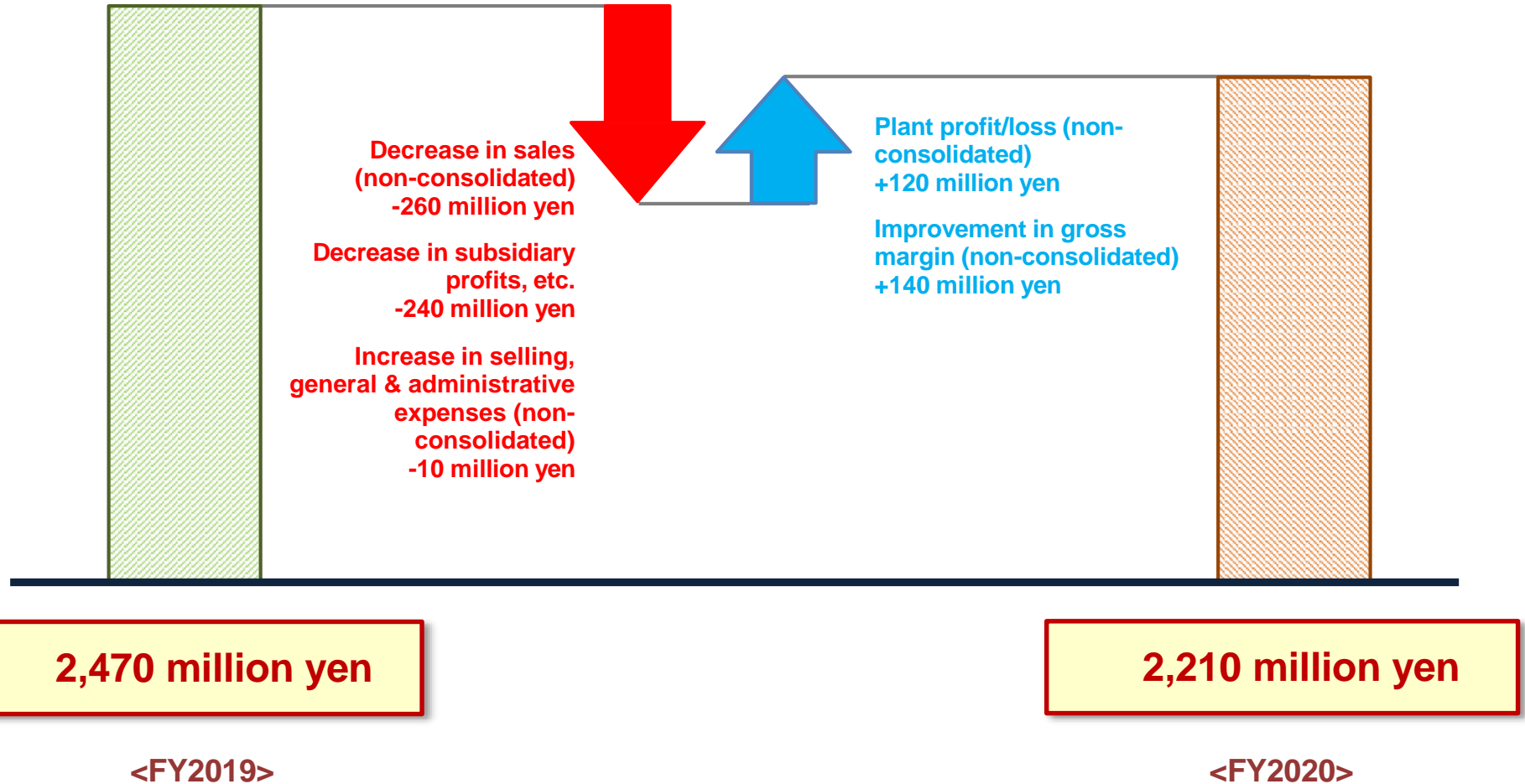


- Although orders received from JR increased, those from private railway companies, China and overseas (excluding China) declined.
- Net sales decreased due to declines in sales for private railway companies, China and overseas (excluding China) despite an increase in sales for JR.
- The impact on segment income was minimized by improving profitability.



# 1-5. Segment Performance Transportation Systems Factors for Increase and Decrease in Income

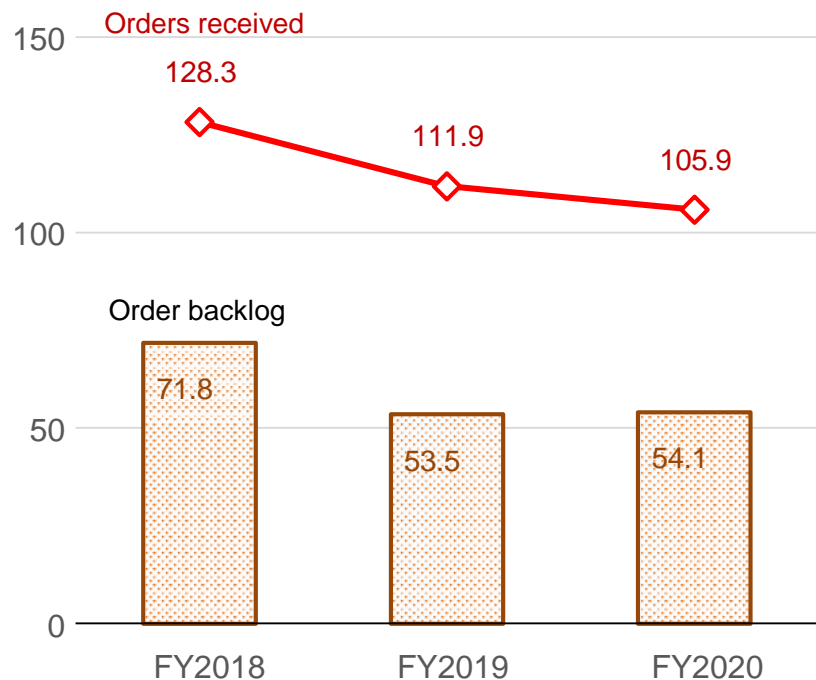
Although net sales and subsidiary profits (in bus door closing devices, etc.) decreased, the impact was minimized through efforts to improve gross profit and plant profit/loss.



# 1-6. Segment Performance **Industrial Systems**

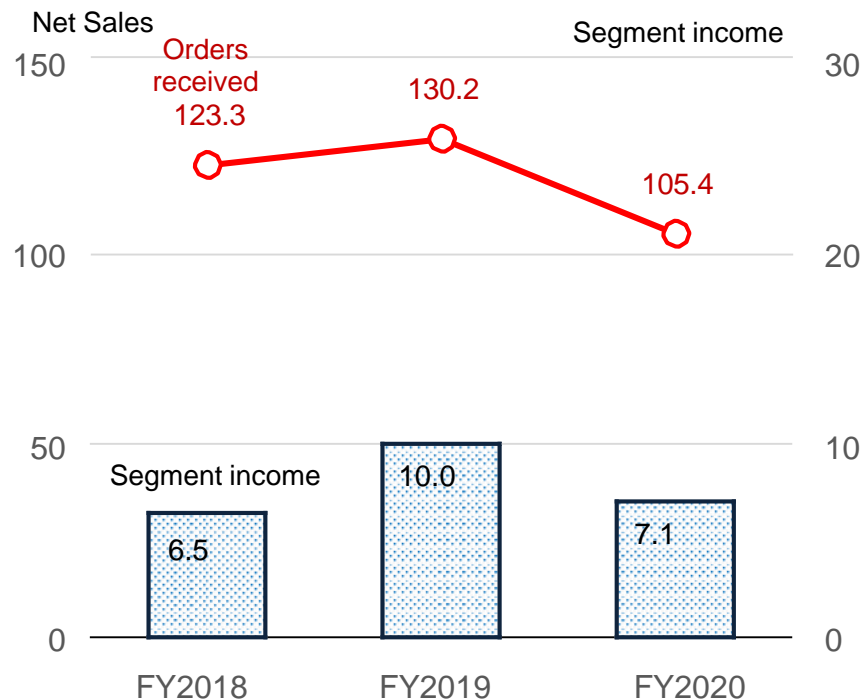
The segment income was secured in line with the planned value despite decreases in orders received, net sales and income.

■ Orders received and order backlog



■ Net sales and segment income

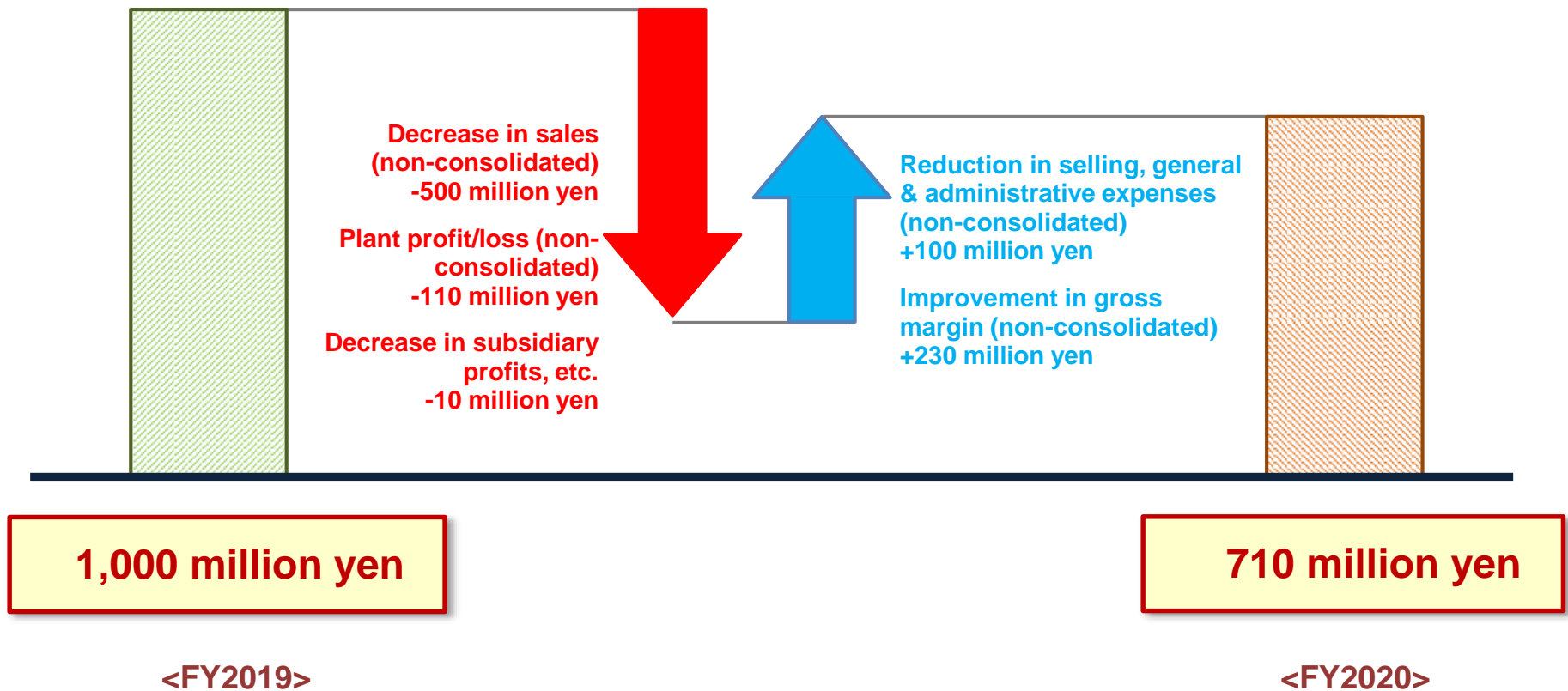
(100 million yen)



- Orders received for testing equipment managed to remain at the same level as the previous year, but orders received for processing equipment declined.
- Net sales decreased mainly due to a decrease in sales for testing equipment and power supplies.
- Segment income decreased mainly because of a decrease in net sales despite progress in improving profitability.

# 1-7. Segment Performance Industrial Systems Factors for Increase and Decrease in Income

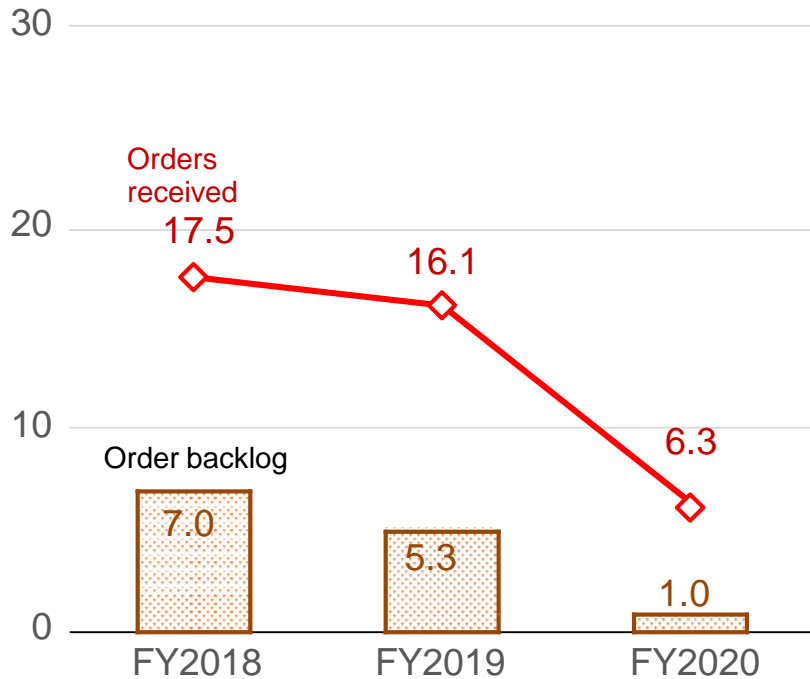
Although income declined due to lower net sales, the planned value was secured through efforts to improve gross profit and reduce expenses.



# 1-8. Segment Performance Information Equipment Systems

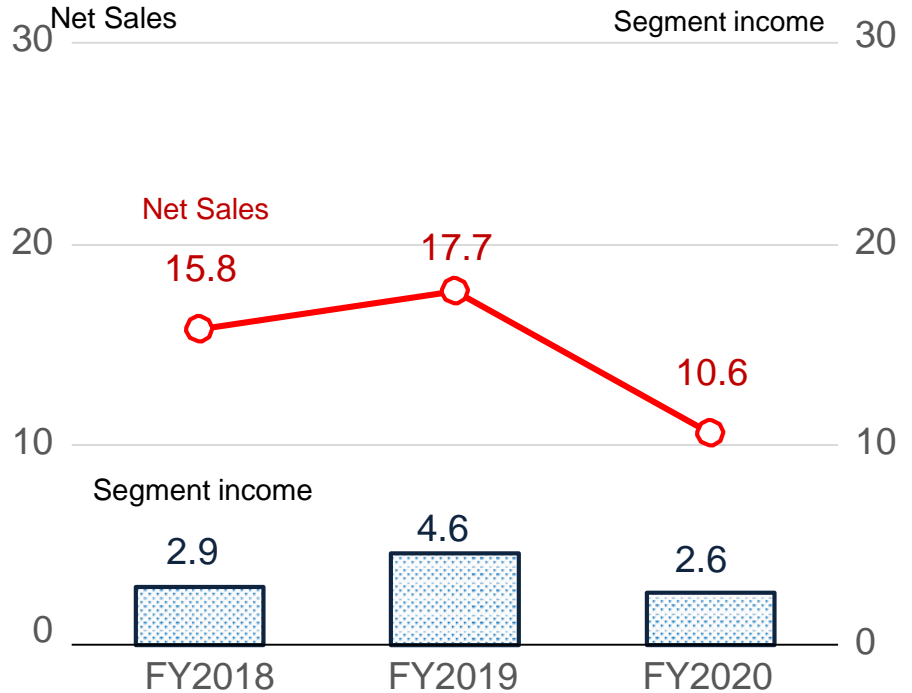
Decreases in orders received, net sales and income mainly due to the impact of novel coronavirus infections and a decline in large-scale projects as a reaction to high demand in the previous fiscal year.

■ Orders received and order backlog



■ Net sales and segment income

(100 million yen)



- Orders received decreased primarily due to not only the impact of novel coronavirus infections, but also a drop in demand as a reaction to a surge prior to a revision to the consumption tax in the previous fiscal year.
- Net sales fell for the same reason as orders received.
- Segment income slipped due to lower net sales.

## 1-9. Consolidated Financial Position

100 million yen

	May 31, 2020	May 31, 2021	Change	Remarks
<b>Total Assets</b>	551.6	519.6	-31.9	
Current assets	262.8	253.0	-9.8	
Fixed assets	288.8	266.6	-22.1	Investment securities: -1,600 million yen
<b>Total Liabilities</b>	309.8	279.5	-30.2	
Of which, net interest-bearing debt	112.5	98.8	-13.7	
<b>Net Assets</b>	241.8	240.0	-1.7	Unrealized holding gain/loss on available-for-sale securities: -900 million yen
<i>Shareholders' equity ratio</i>	43.8%	46.2%	+ 2.4pt	

# 1-10. Trends in Consolidated Cash Flows

100 million yen

	FY2016	FY2017	FY2018	FY2019	<b>FY2020</b>
<b>Cash flows from operating activities</b>	15.0	-15.7	37.2	21.4	<b>17.7</b>
<b>Cash flows from investing activities</b>	-46.9	-30.8	-10.1	0.4	<b>-1.5</b>
Purchases of property, plant and equipment	-39.0	-34.4	-22.7	-6.4	<b>-5.4</b>
<b>Cash flows from financing activities</b>	28.6	41.4	-20.1	-11.2	<b>-9.7</b>
<b>Free cash flow</b>	-31.8	-46.5	27.0	21.8	<b>16.2</b>

<b>Cash at the end of the period</b>	20.9	15.5	22.4	32.9	<b>39.6</b>
<b>Interest bearing debt</b>	117.5	161.7	154.2	145.5	<b>138.4</b>
<b>Net interest bearing debt</b>	96.6	146.1	131.8	112.5	<b>98.8</b>

- In cash flows from operating activities, accounts receivable-trade and accounts payable-trade decreased.
- In cash flows from investing activities, large-scale capital investment ran its course.
- Free cash flow has remained positive in recent years.
- Net interest-bearing debt was reduced steadily to 9,800 million yen (down 1,300 million yen year on year).

## 2. Outlook for Financial Results for Fiscal Year Ending May 2022

## 2-1. Outlook for Financial Results for Fiscal Year Ending May 2022 (Consolidated)

Orders received of 34.0 billion yen, net sales of 34.0 billion yen, and operating income of 450 million yen.

	FY2020 (Result)		FY2021 (Forecast)		100 million yen
	2Q	Full year	2Q	Full year	YoY Change
					Full year
<b>Net Sales</b>	167.2	331.4	150.0	340.0	+8.6
<b>Operating Income (%)</b>	1.7 (1.0%)	4.2 (1.3%)	-1.0	4.5 (1.3%)	+0.3
<b>Ordinary Income</b>	3.5	7.5	0.5	7.0	-0.5
<b>Net Income [Net income per share (yen)]</b>	4.5 50.49	9.7 109.38	1.5 16.78	8.0 89.48	-1.7 -19.90
<b>Dividend per share (yen)</b>		30.0		30.0	
<b>Orders received</b>	143.9	300.5	160.0	340.0	+39.5



## 2-2. Outlook for Financial Results (by Segment)

100 million yen

		Transportation Systems	Industrial Systems	Information Equipment Systems
FY2021 Forecast (Full year)	Net sales	205.0	127.0	8.0
	Segment income	21.0	9.4	1.3
	Orders received	206.0	126.0	8.0
YoY Change	Net sales	-10.2	+21.6	-2.6
	Segment income	-1.2	+2.3	-1.3
	Orders received	+17.9	+20.1	+1.7

**The business environment assumed in the outlook for the financial results for the fiscal year ending May 2022**

Business Environment	
<b>Transportation Systems</b>	<ul style="list-style-type: none"> <li>• With demand for transport decreased by the impact of novel coronavirus infections, it is projected that the number of users of domestic railways will not return to the pre-pandemic levels.</li> <li>• In China, the number of passengers on high-speed railways has generally recovered to the previous level, and there are expectations of recovery in demand for maintenance of high-speed railways and urban transport systems.</li> <li>• Overseas projects other than those in China, such as those in Southeast Asia, have also started to become brisk.</li> </ul>
<b>Industrial Systems</b>	<ul style="list-style-type: none"> <li>• Production facilities and printing machines are returning to their former levels, and inquiries from the United States, China, and South Korea are also increasing.</li> <li>• Toward the realization of a decarbonized and sustainable society, test equipment for the electrification of automobiles and autonomous driving, and dispersed power source systems are projected to grow.</li> <li>• There are also expectations of expansion and reinforcement of infrastructure equipment, such as emergency power generators, in the effort for national resilience.</li> </ul>
<b>Information Equipment Systems</b>	<ul style="list-style-type: none"> <li>• With increasing demand for digitalization and contactless systems, there is a growing need to be compatible with IC train tickets, including those for local lines, whereby demand for products, such as IC car-mounted terminals, are expected to grow.</li> </ul>

### 3. Progress and Specific Initiatives in Medium-Term Management Plan

### 3-1. Medium-Term Management Plan Numerical Targets (consolidated)

Efforts are underway with “Revitalize2020,” the latter two years of the Medium-Term Management Plan (FY ended May 2021 through FY ending May 2022) as “a period for accumulating earning power and returning to a growth path.”

100 million yen

	FY ended May 2021	FY ending May 2022	FY ending May 2022
	Result	Outlook for Financial Results	Medium-Term Management Plan
Net Sales	331.4	340.0	360.0
Operating Income	4.2	4.5	6.0
(Operating margin ratio)	(1.3%)	(1.3%)	(1.7%)
Ordinary Income	7.5	7.0	8.0
Net Income	9.7	8.0	7.0
Investment gain on equity method	-0.0	1.7	1.0
ROE	4.1%	3.3%	3.0%
Payout ratio	27.4%	33.5%	30.0%

<Net sales by segment>

Transportation Systems	215.2	205.0	220.0
Industrial Systems	105.4	127.0	130.0
Information Equipment Systems	10.6	8.0	10.0

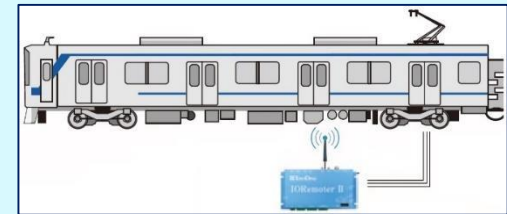
### Progress on the seven basic policies

#### 1. Expanding the overseas business

- ◆ Transportation Systems:
  - Increased urban transport maintenance capacity in China.
- ◆ Industrial Systems:
  - Established a sales and service affiliate in Thailand to expand sales channels in Southeast Asia.
  - A manufacturing affiliate of industrial motors in China completed the establishment of a production system and started making shipments.

#### 2. Expanding our business areas using our core technologies

- ◆ Development of a condition-based maintenance (CBM) system that utilizes our IoT terminals is actively under way. Predict the maintenance timing, judging from the status of usage of each part.



#### 3. Promoting development of technology in advance of market needs

- ◆ Developed a high-speed motor that responds to the electrification of automobiles, and an In-Tyre-House dynamo that is compatible with automatic driving.

### Progress on the seven basic policies

#### 4. Establishing a stable business earnings structure

- ◆ Reduced fixed costs through the united efforts of administration, sales, and plants. Maintained a certain level of operating income despite declining net sales.

#### 5. Developing foundations for expanding production capacity

- ◆ Improved production efficiency by strengthening process control through the use of a core system.

#### 6. Developing human resources to play important roles in the future

- ◆ Efforts are underway to develop the next generation of executives and young managers, including the appointment of women.

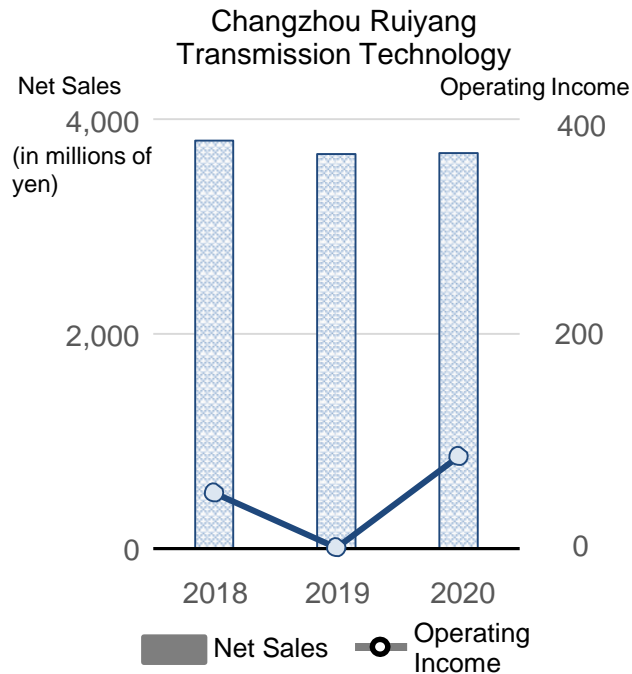
#### 7. Promotion of ESG

- ◆ Formulated sustainability policies and enhanced initiatives.
- ◆ Launched a new organization for business process innovation, and efforts are ongoing.
- ◆ Plans to comply with disclosure of the skill matrix of directors.
- ◆ Increased the ratio of outside directors to 1/3 or more of directors.

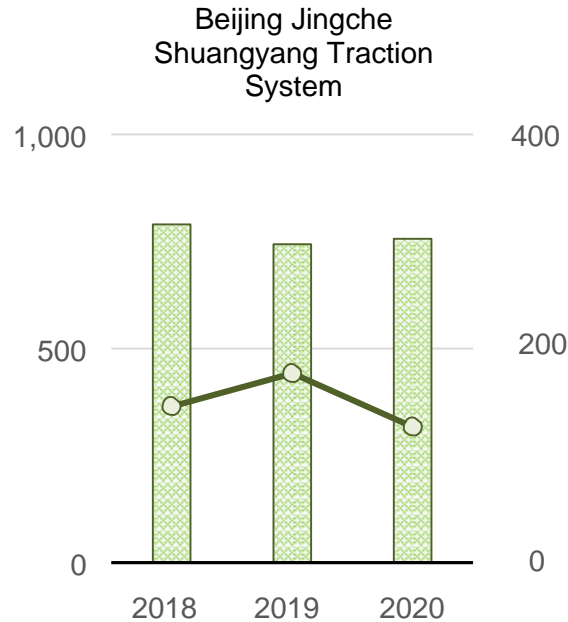


## 3-3. Specific Initiatives in Medium-Term Management Plan

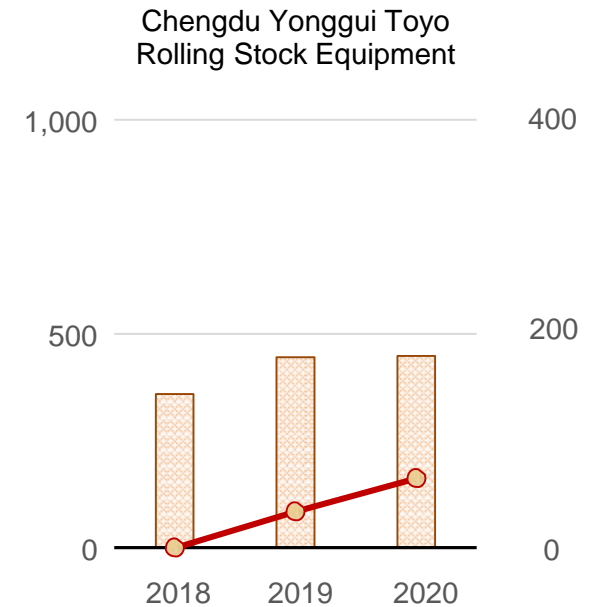
### Financial Results of Toyo Denki's Affiliates in China mainly in Maintenance



- Demand for overhauls has expanded in addition to manufacturing of drive gear units for urban transport systems.
- Respond to demand by reinforcing business bases.



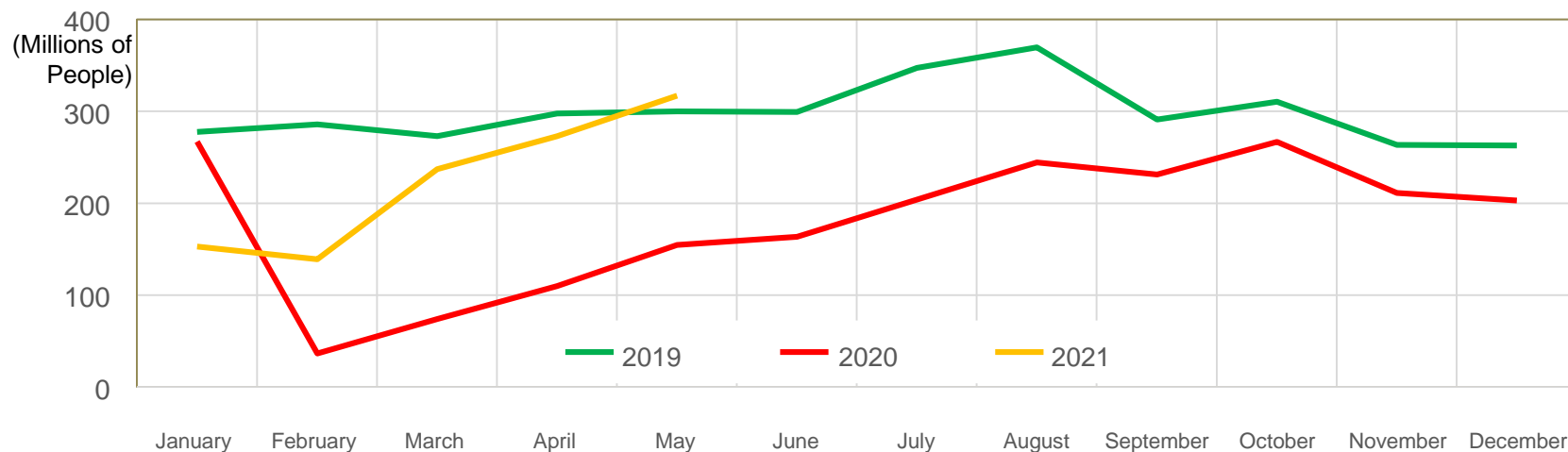
- Extended inspection and repair of electrical equipment in subways in Beijing into other companies' products in addition to ones made by Toyo Denki.
- Expanded the floor space of plants due to strong incoming orders.



- With three years having passed since the start of operations as a pantograph manufacturing base in China, financial goals have been reached and remained ahead of the plan.
- Demand for consumables for pantographs was also strong.

## <Reference> Trend in the Railway Business in China

- ◆ Changes in Monthly Passenger Transportation Volume on Trunk Railway Lines (from the website of China State Railway Group Co., Ltd.)



- Although volume was affected by novel coronavirus infections in the first half of 2020, it recovered in the second half.
- The number of passengers surpassed the pre-pandemic level of 2019 in May 2021.

- ◆ Extension and operating speed of high-speed railways

- As of the end of 2020, operating distance reached 38,000 kilometers, the longest in the world. It is planned to extend the lines to 70,000 kilometers in 2035.
- A plan is ongoing to increase the operating speed from the current 350 km/h to 400 km/h, and Toyo Denki is considering the ways to respond to the mass-production of a new type of 400 km/h standard vehicle.

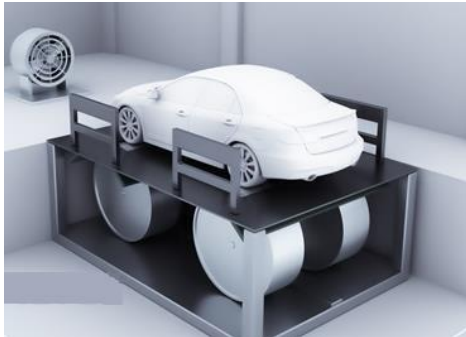


### 3-3. Specific Initiatives in Medium-Term Management Plan

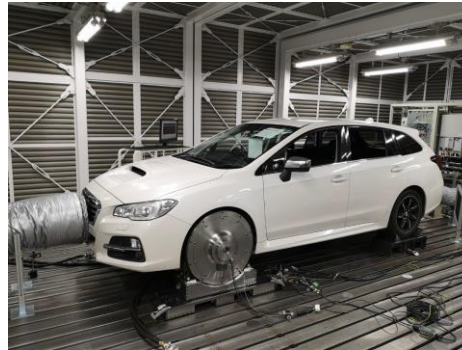
#### Promote development of test equipment that contributes to the electrification and autonomous driving of automobiles.

- ◆ Develop In-Tyre-House dynamos.

Attached to the tire part of an actual vehicle, prototypes are in simulation of an actual running test (to replace chassis dynamos). There is also a possibility of application to self-driving vehicle tests inside a testing room by complying with steering.



<Chassis Dynamo>



<Actual vehicle tests with In-Tyre-House dynamo>

- ◆ Tests are conducted on actual vehicles for specific projects.

- ◆ Developed a slender version of low-inertia high-speed rotation (20,000 rpm) dynamos.

Developed a slender version (smaller diameter) of high-speed rotation dynamos for EV/HEV. The realization of a slender version of high-speed dynamos makes it possible to use conventional testing equipment and EV/HEV testing equipment together, thereby making it easier to cope with EV/HEV testing equipment.

## 3-3. Specific Initiatives in Medium-Term Management Plan

### Promoted sales activities and product delivery using DX

#### ◆ Online preview showing of transportation products (December 2020)

A preview was held online for customers. Presented main electrical equipment and other products, and a condition-based maintenance (CBM) system, which is under development.

At a later date, customers were approached through online sales activities.



#### ◆ Automotive Engineering Exposition 2021 Online (May 2021)

Toyo Denki took part in the online exposition of automobile technology and presented the new product In-Tyre-House dynamo through video and panels.

Conducted sales activities for customers who had viewed the Toyo Denki website.

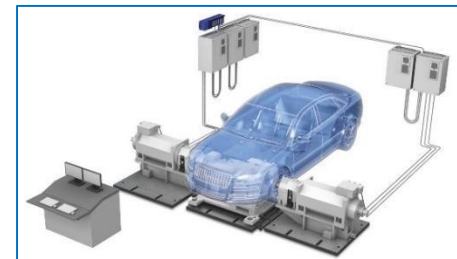
\* Exposition URL (held until July 30) <https://aee.expo-info.jsae.or.jp/ja/>

\* Video introducing In-Tyre-House dynamos <https://vimeo.com/548659888>



#### ◆ Remote delivery of test systems for automotive development

A test system for automotive development was installed and put in operation remotely from Japan for the overseas subsidiary of the customer. Utilize DX as a BCP during the pandemic.



## 3-3. Specific Initiatives in Medium-Term Management Plan

### Sustainability Policy (Basic way of thinking)

The Toyo Denki Group sets contribution to society in its business philosophy and holds up an initiative to protect the global environment as the priority task in its environmental philosophy. The Group has formulated the Sustainability Policy as the guidelines for its efforts to realize these philosophies and contribute to the sustainable development of society.

- ◆ Relationships between the Company's initiatives and the realization of SDGs was summarized from three perspectives.
  - “Initiative in Products and Services”
  - “Initiative in Production Activities”
  - “Initiative in Valuing People and Communities”
- ◆ In the future, Toyo Denki will formulate specific initiatives as roadmaps.



# 3-3. Specific Initiatives in Medium-Term Management Plan

## Sustainability Policy (Toyo Denki's Initiatives)



### Initiative in Products and Services

- ◆ Supply of decarbonized energy, such as small hydroelectric power generation
  - ◆ Popularization of energy-efficient transportation, such as railroads and electric vehicles
  - ◆ Efficiency improvement of electrical equipment and the spread of power storage systems
  - ◆ Improvement of safety through a shift to barrier-free transportation systems
- etc.

### Initiative in Production Activities

- ◆ Reduction of energy consumption in production
- ◆ Study of solar power generation and decarbonization of energy currently used
- ◆ Reduction of energy consumption during transportation of materials and products
- ◆ Recycling activities at production sites and offices etc.



### Initiative in Valuing People and Communities

- ◆ Support for school education by offering university endowed lectures and accepting school field trips in plants
- ◆ Promotion of gender equality initiatives and appointment of female managers
- ◆ Protect the global environment to contribute to protection of nature etc.

**Thank you for your interest.**

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

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# Disclaimer

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