
Financial Results Briefing First Half of Fiscal 2021 (Ended November 30, 2021)

January 13, 2022

Toyo Denki Seizo K.K.

■ Briefing on Financial Results: 40 minutes

1. Overview of Financial Results for First Half of Fiscal 2021
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

- * You can ask questions in text form through the Q&A function. We will accept questions during the explanation.

1. Overview of Financial Results for First Half of Fiscal 2021
(From June 2021 to November 2021)

1-1. Overview of Consolidated Financial Results

Both net sales and profits declined year on year as the novel coronavirus infections continued to affect our businesses.

We managed to secure orders received at a level that was comparable to that of a year earlier.

100 million yen

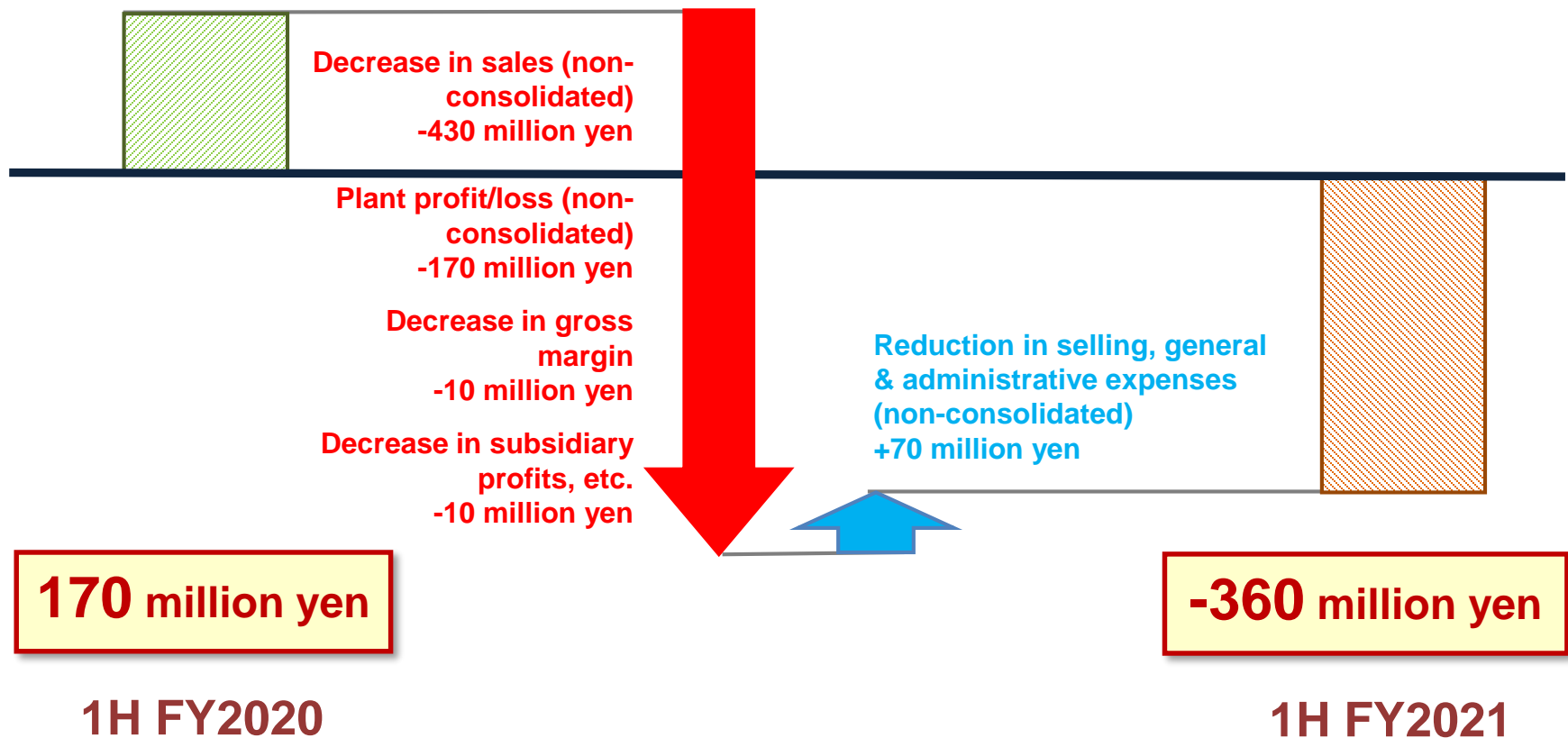
	1H FY2020	1H FY2021	YoY Change		Published value (1H FY2021)	Published value ratio	
				%			%
Net Sales	167.2	148.0	-19.1	-11.5%	150.0	-2.0	98.7%
Operating Income (%)	1.7 (1.0%)	-3.6 (-%)	-5.3 -pt	—	-1.0 (-%)	-2.6 —	—
Ordinary Income	3.5	-0.8	-4.3	—	0.5	-1.3	—
Net Income [Net income per share (yen)]	4.5 50.49	1.8 20.82	-2.6 -29.7	-58.8% —	1.5 16.78	+0.3 +4.04	120.0% —
Orders received	143.9	142.1	-1.8	-1.2%	160.0	-17.9	88.8%
Ratio of overseas sales to net sales	17.2%	14.9%	-2.3pt	—			

<Reference> Review of Business Environment for the First Half of Fiscal 2021

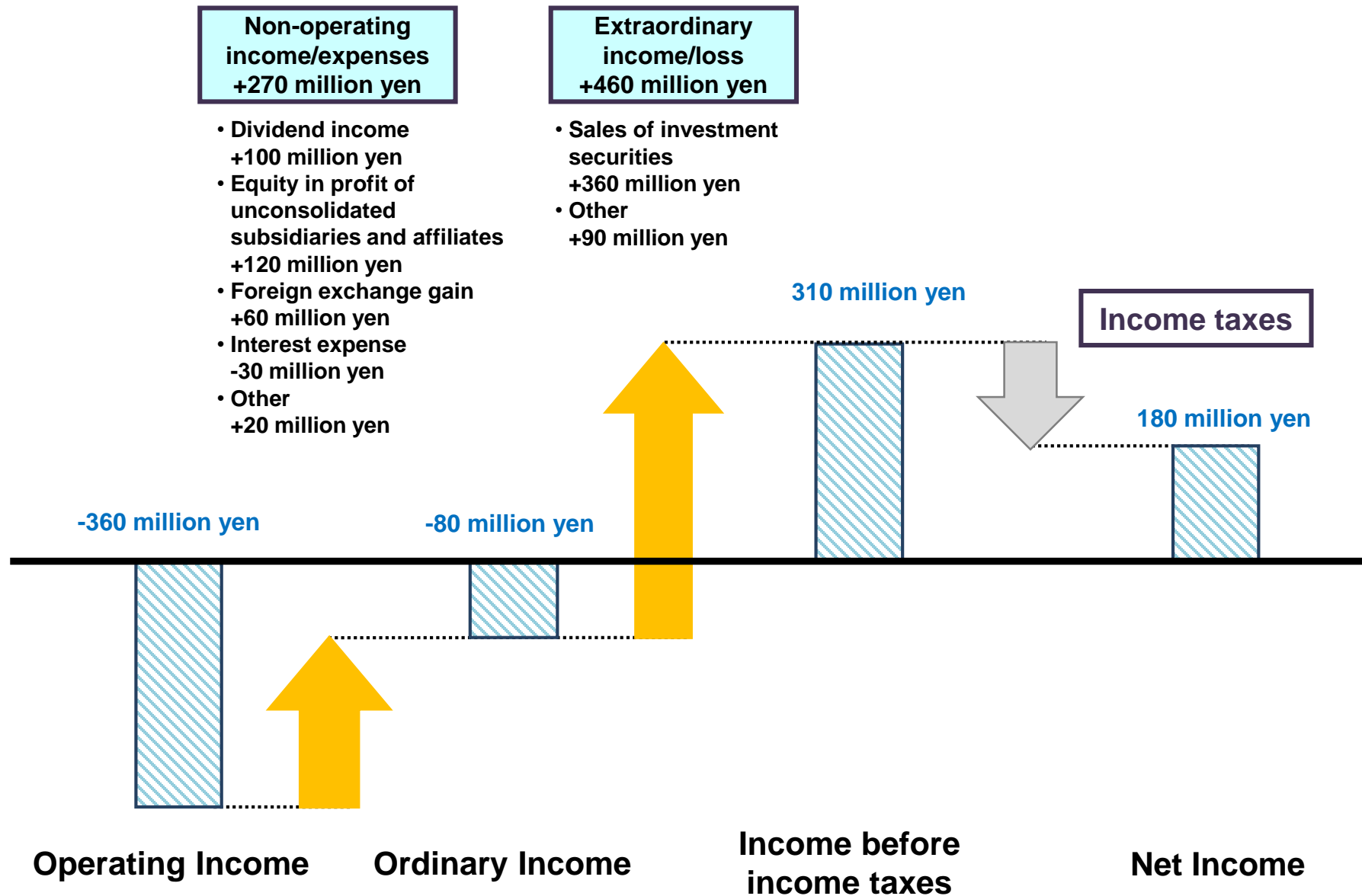
Business Environment	
Transportation Systems	<Domestic> Although the business environment remained challenging due to the impacts of the fifth wave of novel coronavirus infections and the reissuance of a state of emergency, the number of railway passengers has been improving even compared with the pre-pandemic level.
	<Overseas> In China, the economic recovery slowed down due to intermittent restrictions on activities to contain novel coronavirus and the cooling of the real estate market.
Industrial Systems	<Domestic> Economic activities remained stagnant due to novel coronavirus, and capital spending in the manufacturing industry was mixed but generally on a recovery trend.
	<Overseas> The economy has been recovering in many countries, though the outlook remains uncertain due to the detection of a new variant.

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

Despite the efforts to cut expenses, operating income decreased due to lower net sales and a shortage of production.



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



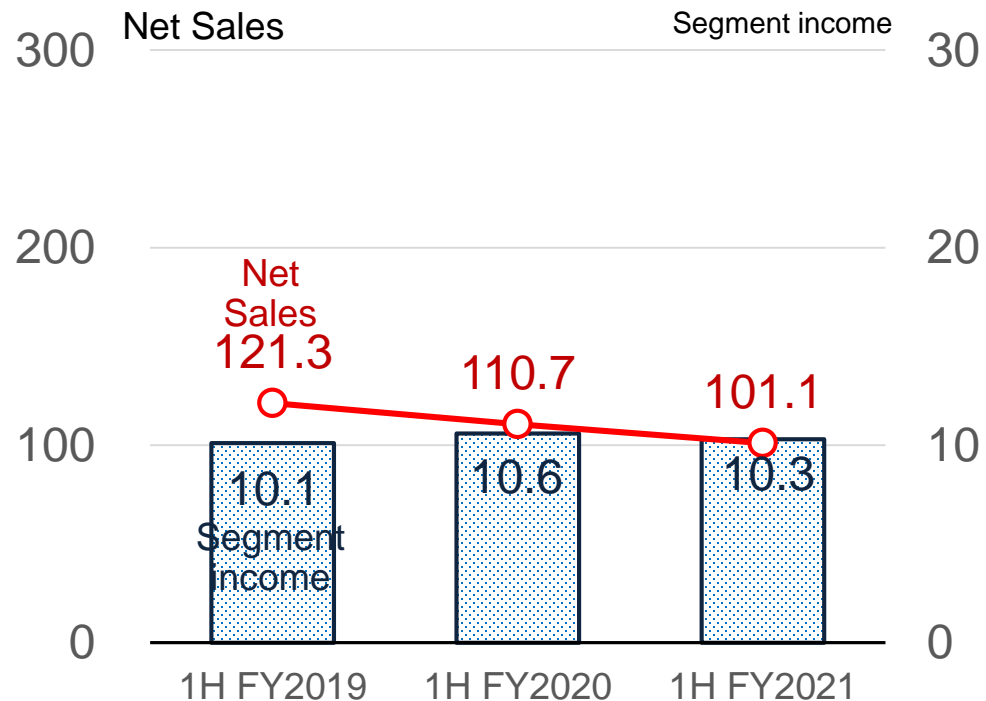
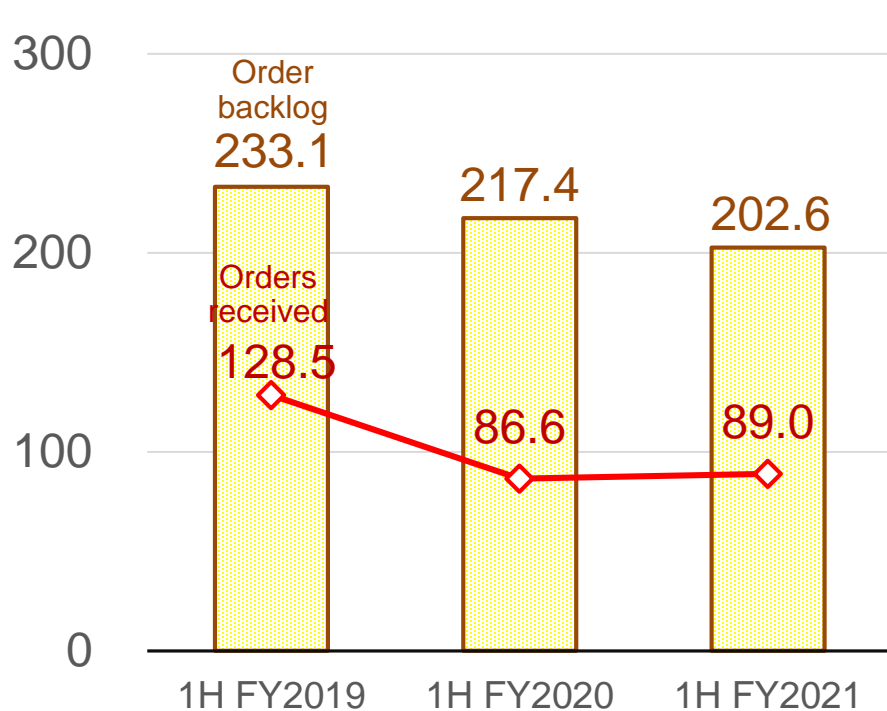
1-4. Segment Performance **Transportation Systems**

Orders received increased slightly. We managed to secure segment income that was comparable to the level of a year earlier despite lower net sales.

■ Orders received and order backlog

■ Net sales and segment income

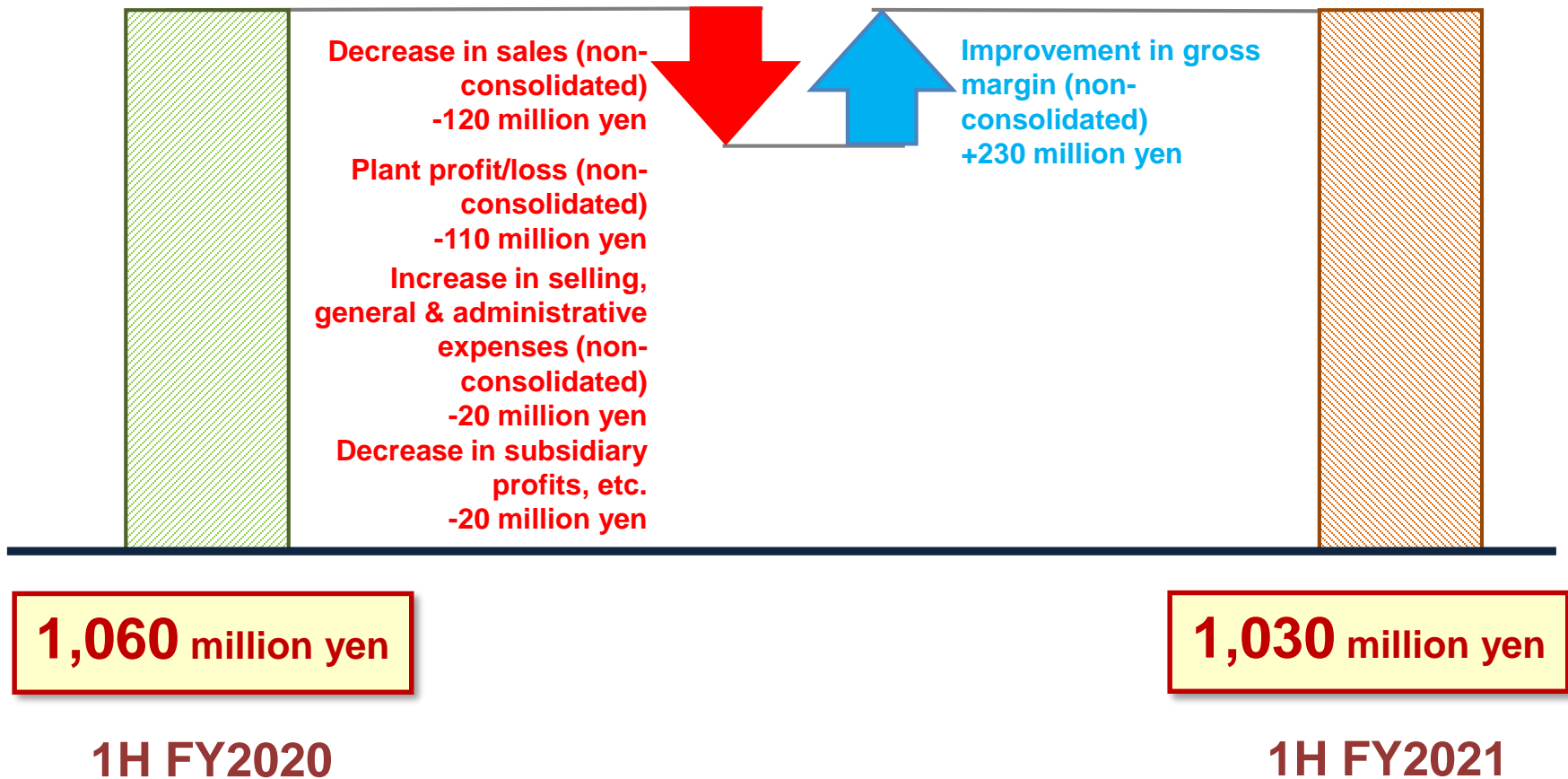
(100 million yen)



- Orders received from JR decreased, while those from private railway companies, overseas (excluding China) increased.
- Net sales declined due to decreases in sales for private railway companies, China and overseas (excluding China) despite an increase in sales for JR.
- We managed to secure segment income that was comparable to the level of a year earlier.

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

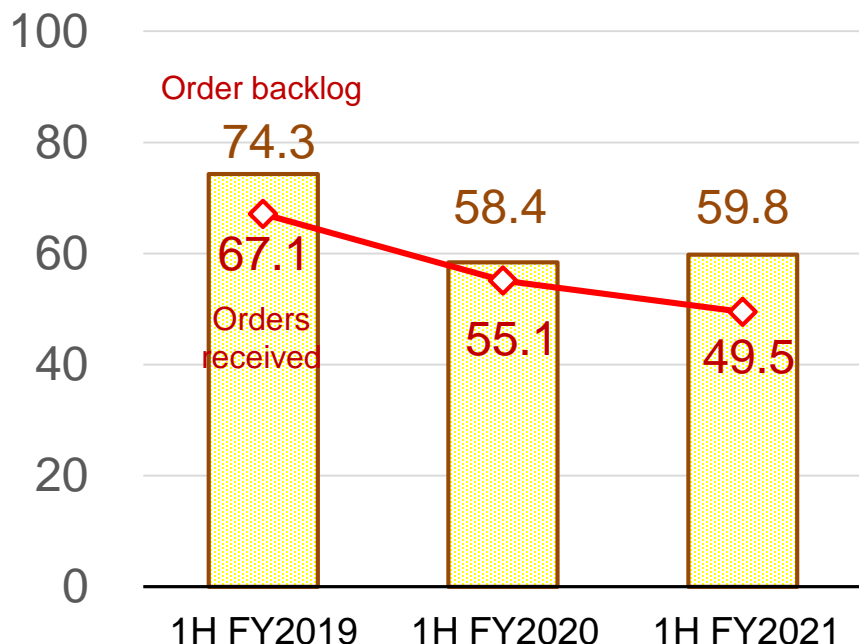
Despite the decreases in net sales and plant profit, we managed to secure segment income that was comparable to the level of a year earlier.



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

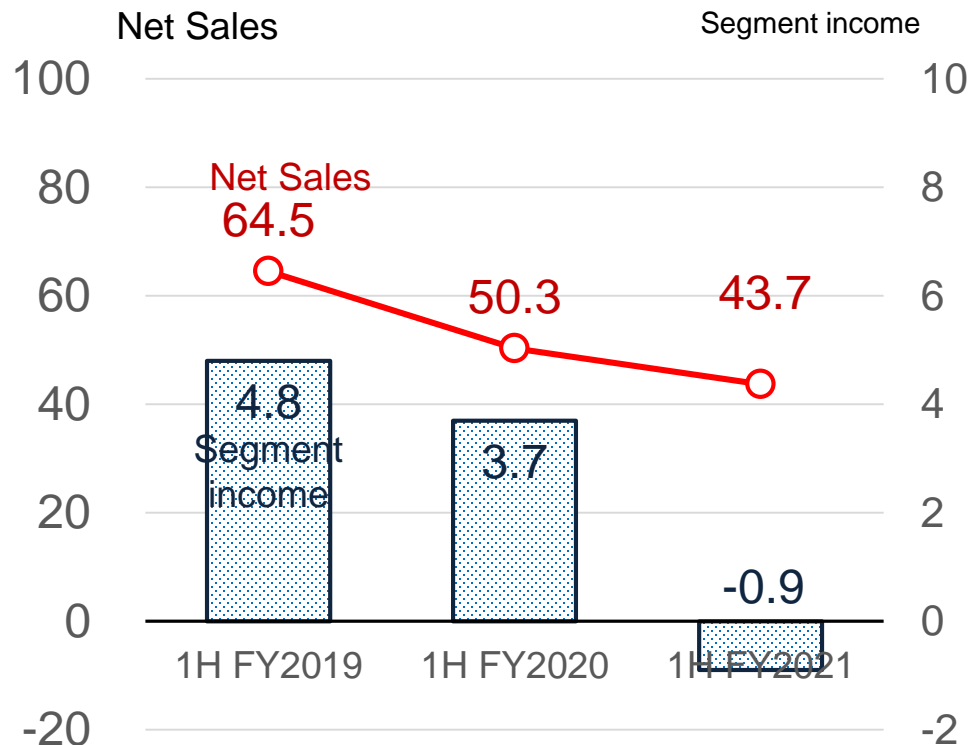
Orders received decreased. Despite the efforts to cut expenses, segment income decreased due to lower net sales.

■ Orders received and order backlog



■ Net sales and segment income

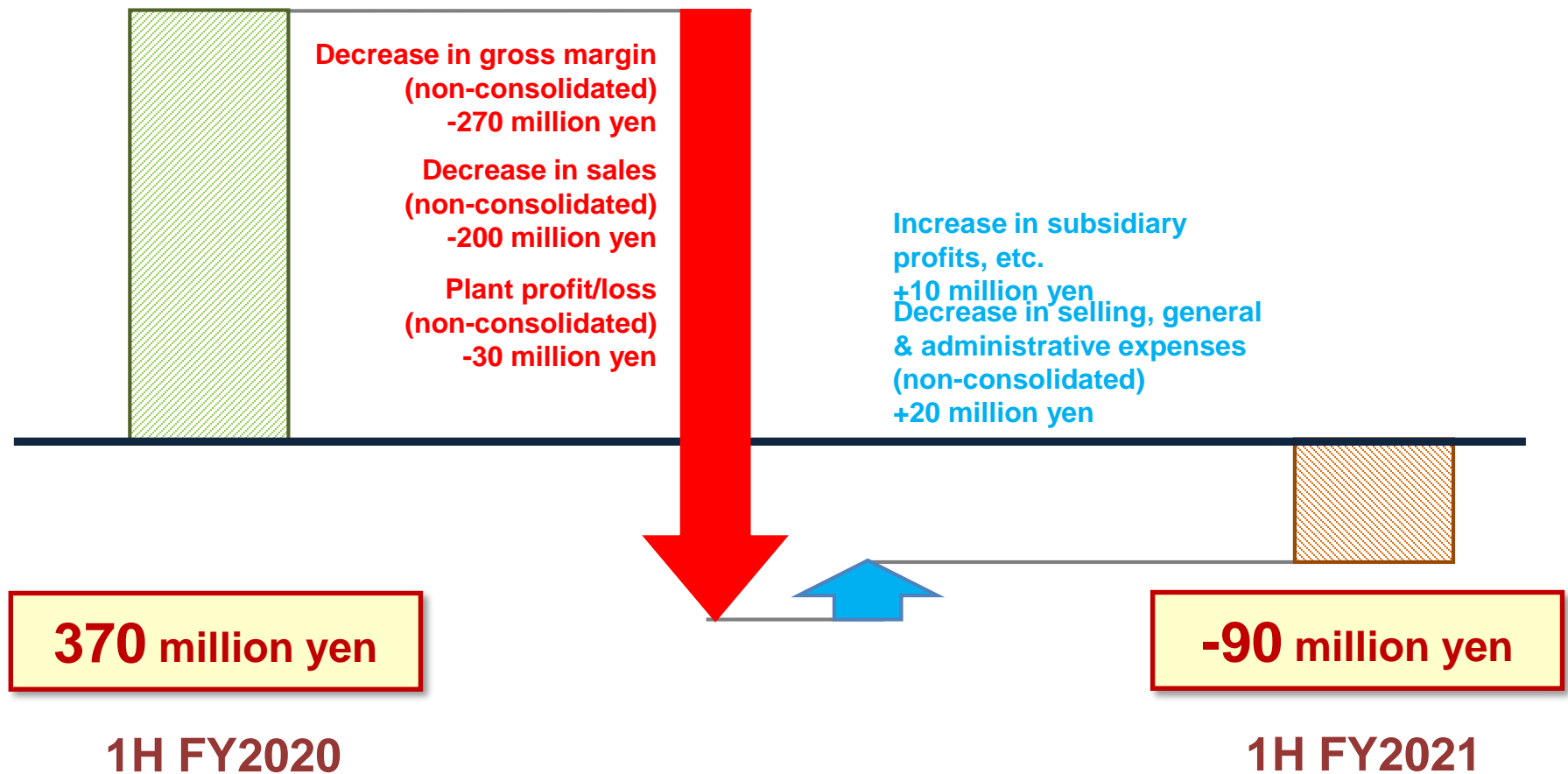
(100 million yen)



- Orders received for processing equipment increased, but those for testing equipment and power supplies decreased.
- Although sales for power supplies increased, net sales decreased due to a decrease in sales for testing equipment and processing equipment.
- Segment income decreased due to lower net sales and other factors.

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

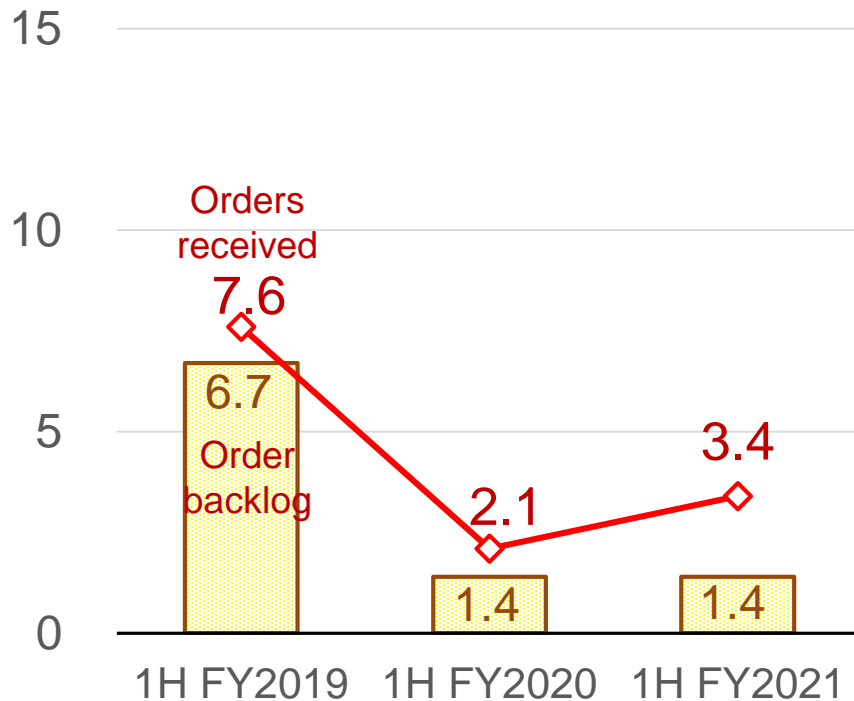
Despite the efforts to cut expenses, segment income decreased due to lower net sales and lower profitability



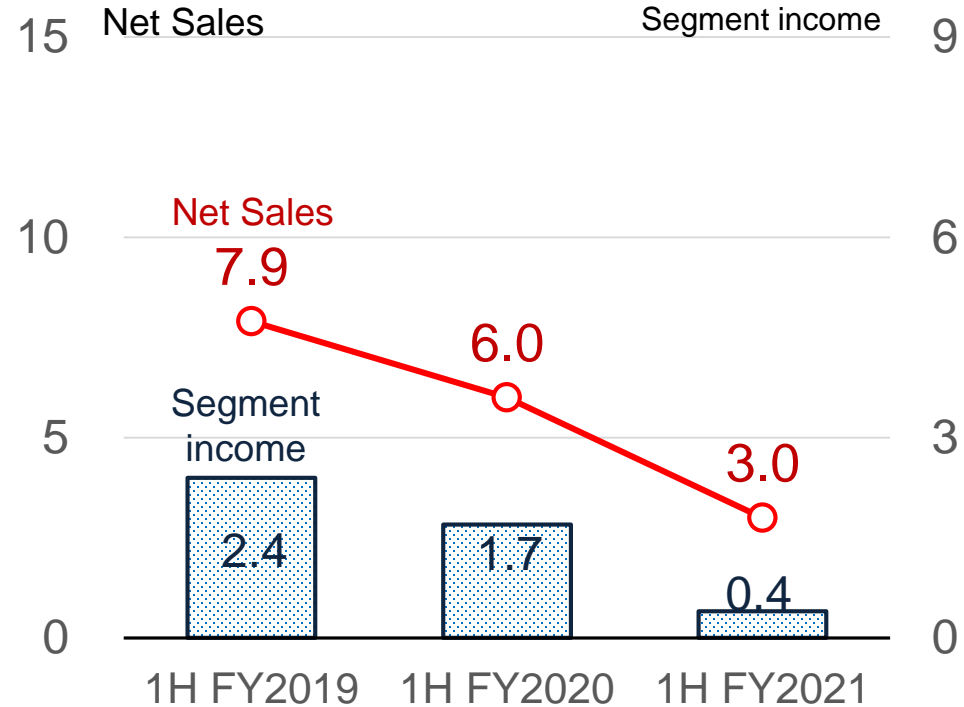
1-8. Segment Performance **Information Equipment Systems**

Orders received increased only slightly on the back of continued restraint on equipment renewal by railway companies, and both net sales and segment income declined.

■ Orders received and order backlog



■ Net sales and segment income (100 million yen)



- Orders received increased only slightly on the back of continued restraint of equipment renewal by railway companies.
- 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, 2021	November 30, 2021	Change	Remarks
Total assets	519.6	502.9	- 16.7	
Current assets	253.0	255.8	+ 2.8	
Fixed assets	266.6	247.0	- 19.6	Investment securities: -1,400 million yen
Total liabilities	279.5	272.4	- 7.1	
Of which, net interest-bearing debt	98.8	102.8	+ 4.0	
Net assets	240.0	230.4	- 9.6	Unrealized holding gain/loss on available-for-sale securities: -800 million yen
Shareholders' equity ratio	46.2%	45.8%	- 0.4pt	

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

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

We revised forecasts: orders received of 31.0 billion yen, net sales of 33.0 billion yen, and operating income of 250 million yen.

100 million yen

	FY2020 (Result)		FY2021			YoY Change Full year
	2Q	Full year	2Q (Result)	Full year (Previous forecast)	Full year (Revised forecast)	
Net Sales	167.2	331.4	148.0	340.0	330.0	-1.4
Operating Income (%)	1.7 (1.0%)	4.2 (1.3%)	- 3.6 (- %)	4.5 (1.3%)	2.5 (0.7%)	-1.7
Ordinary Income	3.5	7.5	- 0.8	7.0	6.0	-1.5
Net Income [Net income per share (yen)]	4.5 50.49	9.7 109.38	1.8 20.82	8.0 89.48	7.0 78.29	-2.7 -31.09
Dividend per share (yen)		30.0		30.0	30.0	
Orders received	143.9	300.5	142.1	340.0	310.0	+9.5

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

100 million yen

		Transportation Systems	Industrial Systems	Information Equipment Systems
FY ending May 2022 (Full year) (Revised forecast)	Net Sales	203.0	120.0	7.0
	Segment income	20.5	8.5	0.7
	Orders received	183.0	121.0	6.0
YoY Change	Net Sales	-12.2	+14.6	-3.6
	Segment income	-1.7	+1.4	-1.9
	Orders received	-5.1	+15.1	-0.3

<Reference> Assumptions for Outlook for Financial Results

The business environment assumed in the revised forecast for the financial results for the fiscal year ending May 2022

	Business Environment
Transportation Systems	<ul style="list-style-type: none">• The number of users of domestic railways has returned to 60% of the pre-pandemic level for medium-to-long distance passengers and 80% of that for short-distance passengers.• Although plans to build new vehicles may be reviewed or scaled back, we believe that our service for maintenance and equipment will grow.• The number of railway passengers in China decreased temporarily due to the spread of the variant, but it remains on a recovery path as a whole. Demand for new railway vehicles and maintenance services is expected to increase. <p>Overseas projects in Southeast Asia have also started to become brisk toward the time after the novel coronavirus pandemic.</p>
Industrial Systems	<ul style="list-style-type: none">• Equipment demand in the manufacturing industry is on a recovery trend, though there are concerns about supply constraints for components for semiconductors, etc. and soaring material prices that may affect production.• With a view to realizing a decarbonized and sustainable society, demand for test equipment for the electrification of automobiles and dispersed power source systems is projected to grow.• There are also expectations of expansion and reinforcement of infrastructure equipment, such as emergency power generators, in the effort to enhance national resilience.
Information Equipment Systems	<ul style="list-style-type: none">• 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, is expected to grow.

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

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

Efforts are underway with “Revitalize 2022,” the Medium-Term Management Plan through FY ending May 2022.

Due to the prolonged impact of the pandemic, targets may not be achieved except for net income.

100 million yen

	FY ended May 2021	FY ending May 2022	FY ending May 2022
	Result	Revised forecast	Medium-Term Management Plan
Net Sales	331.4	330.0	360.0
Operating Income	4.2	2.5	6.0
(Operating margin ratio)	(1.3%)	(0.7%)	(1.7%)
Ordinary Income	7.5	6.0	8.0
Net Income	9.7	7.0	7.0
Equity in profit of unconsolidated subsidiaries and affiliates	-0.0	-	1.0
ROE	4.1%	-	3.0%
Payout ratio	27.4%	-	30.0%

<Net sales by segment>

Transportation Systems	215.2	203.0	220.0
Industrial Systems	105.4	120.0	130.0
Information Equipment Systems	10.6	7.0	10.0

3-2. Medium-Term Management Plan Basic Policies and Progress

Progress with the seven basic policies

1. Expanding the overseas business

◆ Transportation Systems:

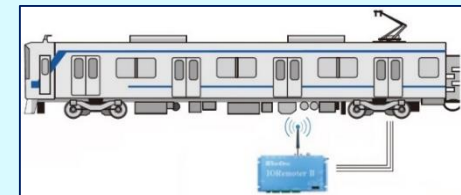
- Our joint venture company in China has increased subway maintenance capacity, and its financial results remain strong.

◆ Industrial Systems:

- The sales base established in Thailand is expanding sales channels in Southeast Asia.
- A joint venture company has been established in China as a production base for industrial motors and it started rolling out products to the Chinese market.

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. Expanding sales through trade shows and other opportunities.



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 advanced driving assist systems. Received an order for the first unit of In-Tyre-House dynamo.

3-2. Medium-Term Management Plan Basic Policies and Progress

Progress with the seven basic policies

4. Establishing a stable business earnings structure

- ◆ Promoting a reduction of fixed costs through the united efforts of administration, sales, and plants.
- ◆ Established a dedicated team to promote operational efficiency through DX.

5. Developing foundations for expanding production capacity

- ◆ Improved production efficiency by strengthening process control through the use of a core system.
- ◆ Introduced a new production facility (large gear cutting machine) for in-house processing of complicated gears to increase production capacity and reduce costs.



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.

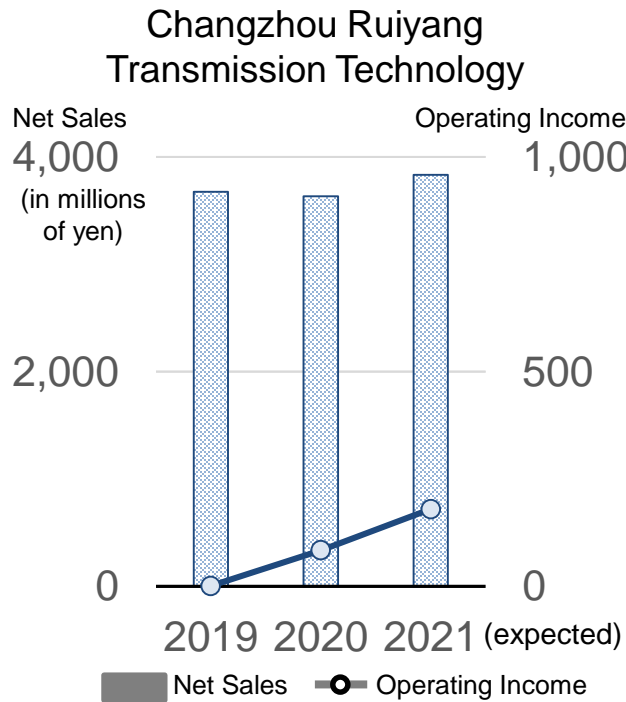
7. Promotion of ESGs

- ◆ Formulated sustainability policies and enhanced initiatives.
- ◆ Disclosed the skill matrix of directors in the Toyo Denki Seizo Report.
- ◆ Increased the ratio of outside directors to 1/3 or more of directors.

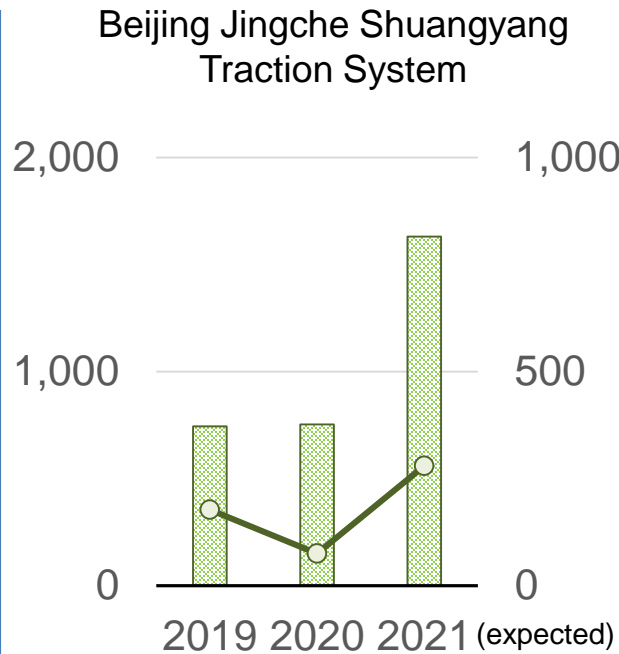


3-3. Specific Initiatives in Medium-Term Management Plan

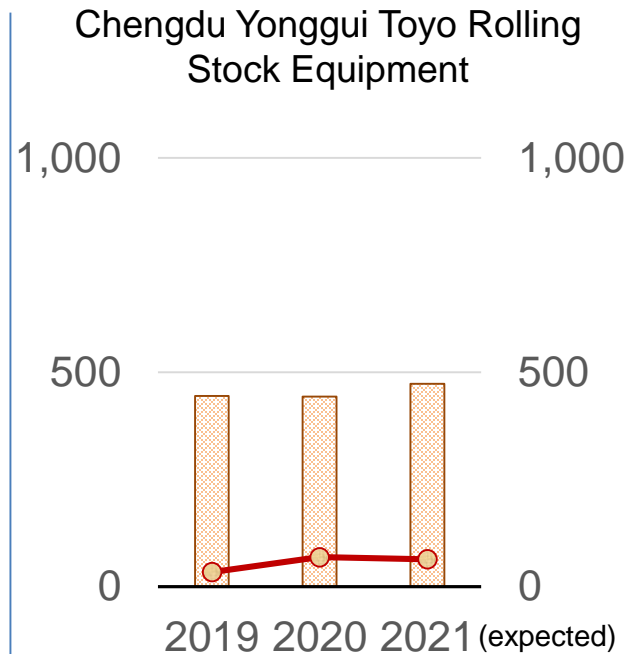
Our joint venture company in China, which mainly provides maintenance services, continued to generate strong financial results.



- Regarding drive gear units, maintenance service has expanded in addition to manufacturing of the units for railway vehicles of new and existing subway lines.



- Demand for an overhaul for Beijing Subway is growing rapidly. Both net sales and income increased for FY2021 (January through December).
- Expanded the floor space of plants, leading to spare capacity for other companies' products.

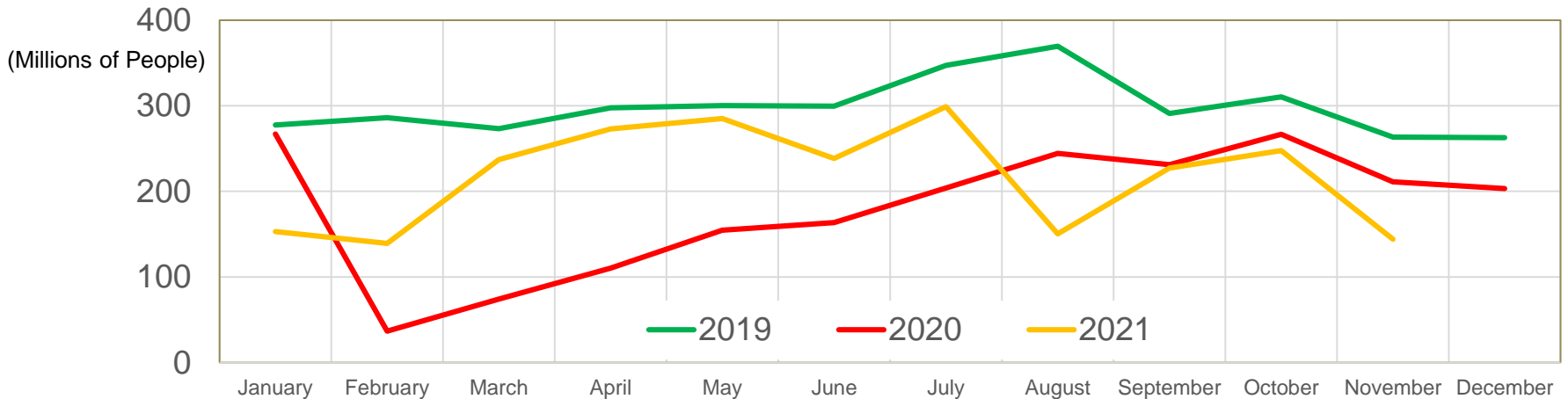


- As a pantograph manufacturing base in China, the company continued to generate strong financial results. Demand for consumables was also strong.

<Reference> Situation of 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. and other sources)



- The passenger transportation volume returned to the 2019 pre-pandemic level in the first half of 2021, though the volume decreased in the second half of 2021 due to activity restrictions to control the pandemic.

◆ Extension and operating speed of high-speed railways

- As of 2021, the operating distance reached 40,000 kilometers and is ahead of the plan. 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 ways to respond to the mass-production of a new type of 400 km/h standard vehicle.

<Reference> Trend in the Railway Project in China and overseas (excluding China)

- ◆ Main projects in China and overseas for which Toyo Denki may take part in a bid by 2025
 - In China, the electrical products that we delivered to Beijing Subway and Chengdu Subway will require an overhaul service in the coming years. Furthermore, we will strive to win orders for an overhaul service of electrical equipment made by other companies.
 - For overseas (excluding China), we will strive to win orders for JICA's yen loan projects and other projects mainly in Southeast Asia.
- Overhaul work for Beijing Subway and Chengdu Subway
- JICA's yen loan projects and other main railway projects

Year for overhaul	Name of subway	Number of railway vehicles
2022	Beijing Subway	46
2022	Chengdu Subway	23
2023	Beijing Subway	59
2024	Beijing Subway	49
2024	Chengdu Subway	12
2025	Beijing Subway	61
2025	Chengdu Subway	13

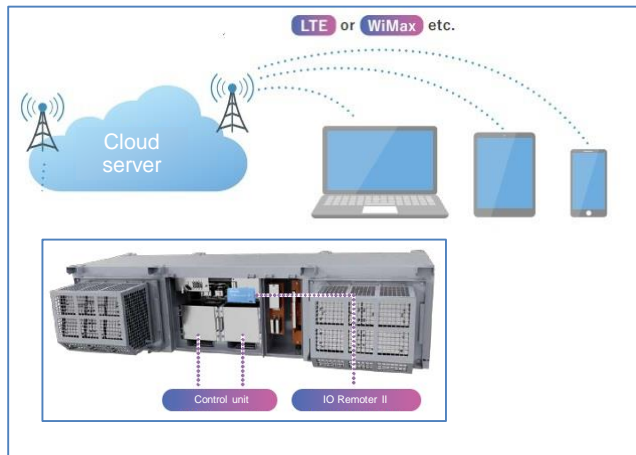
Year for bid	Country	Name of project	Number of railway vehicles
2022	Indonesia	Jakarta MRT North–South line (phase 2)	84
2022	Taiwan	Taipei Metro	42
2022	The United States	Philadelphia Subway	222
2023	Bangladesh	Dhaka Metro Rail Line-1	200
2023	Bangladesh	Dhaka Metro Rail Line-5	180
2023	The United States	Philadelphia LRV	156
2025	Indonesia	Jakarta MRT East West line	126

(Research by Toyo Denki)

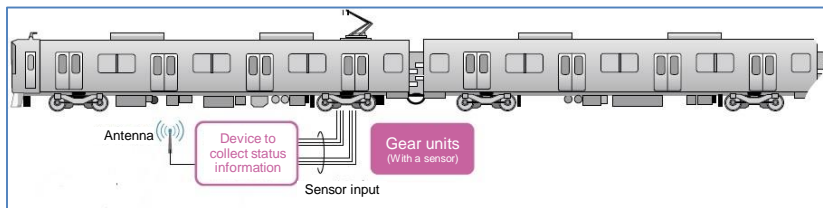
3-3. Specific Initiatives in Medium-Term Management Plan

We exhibited our developed products at the Mass-Trans Innovation Japan 2021 (held in November 2021)

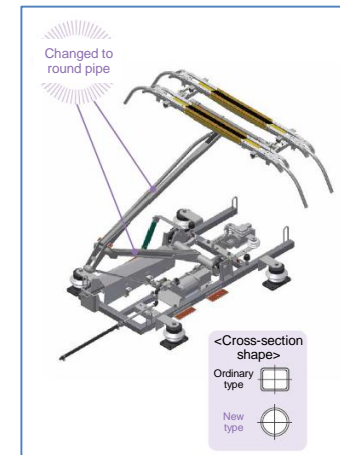
- ◆ VVVF (Variable Voltage Variable Frequency) Inverter IoT remote monitoring system
Supporting a condition-based maintenance (CBM) system by introducing IoT to VVVF inverter.



- ◆ System to monitor condition of drive gear units
By observing the vibration and temperature of the bearing, any abnormality in the drive gear units is detected.



- ◆ New single-arm pantograph
A lineup of single-arm types with round pipes.



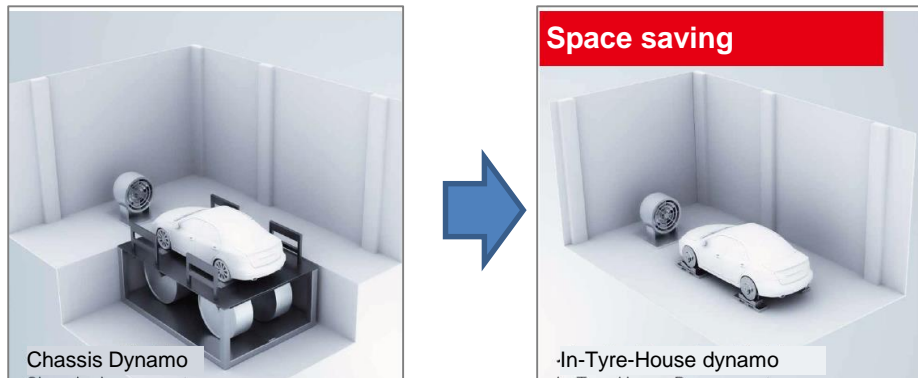
- ◆ Grease lubricated traction motor with fully enclosed inner fans
Totally enclosed motor realizes noise reduction and less maintenance.



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

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

- ◆ Development of In-Tyre-House dynamos
 - Received the first order for test equipment using the In-Tyre-House dynamo.
 - Attached to the tire part of an actual vehicle, prototypes are undergoing a simulation of an actual running test (to replace chassis dynamos).
Expanded sales by highlighting the attractive features including no large-scale construction, quietness, and compatibility with electrification.



Comparison of Chassis Dynamo and In-Tyre-House dynamo



Actual vehicle tests with In-Tyre-House dynamo

- Going forward, development efforts will be carried out with a view to ensuring applicability to self-driving vehicle tests and advanced driver assist system tests inside a testing room.



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

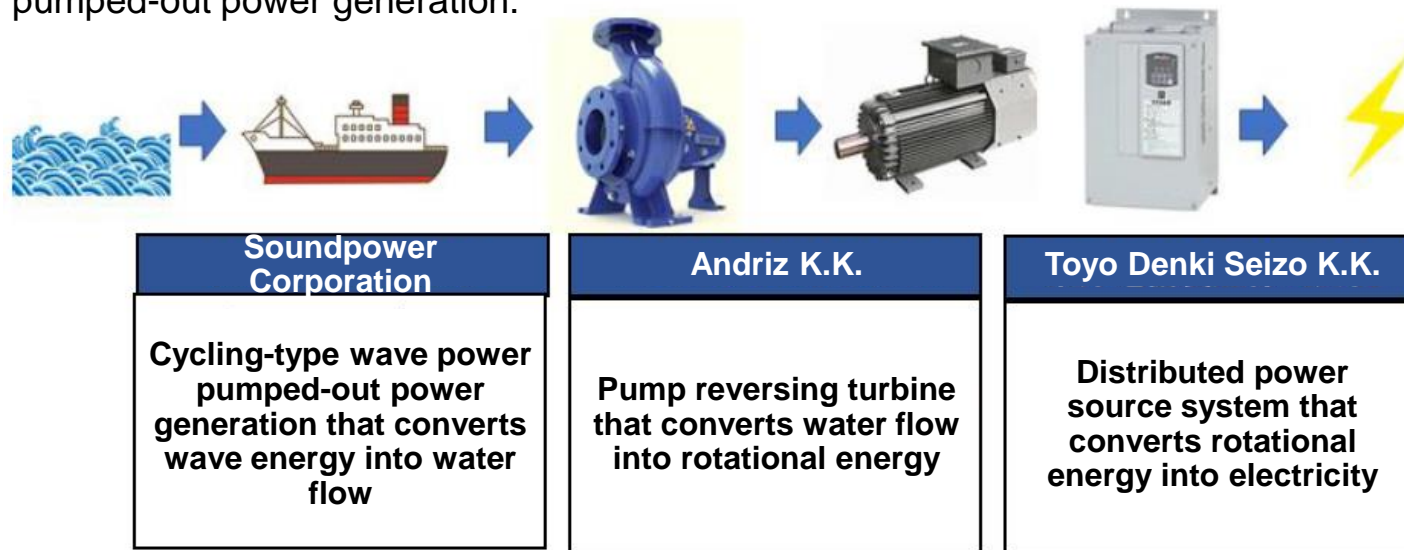
Distributed power source system for small-scale hydropower

- ◆ Received an order for a distributed power source system for cycling-type wave power pumped-out power generation.

Collaborating with Soundpower Corporation and Andriz K.K., we received an order for a distributed power source system for cycling-type wave power pumped-out power generation. We are aiming for practical use by the summer of 2022.

Toyo Denki's distributed power generation system combines a permanent magnet synchronous generator with inverter technology, and has a track record of over 100 cases including small-scale hydropower. We created a new system by combining wave power pumped-out power generation with small-scale hydropower generation.

We will continue to contribute to the development of various renewable energies, not limited to wave power pumped-out power generation.

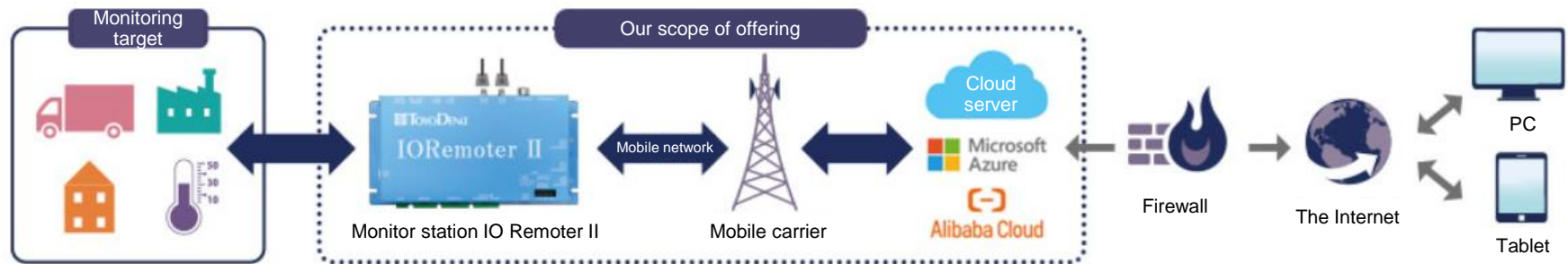


Mechanism of cycling-type wave power pumped-out power generation

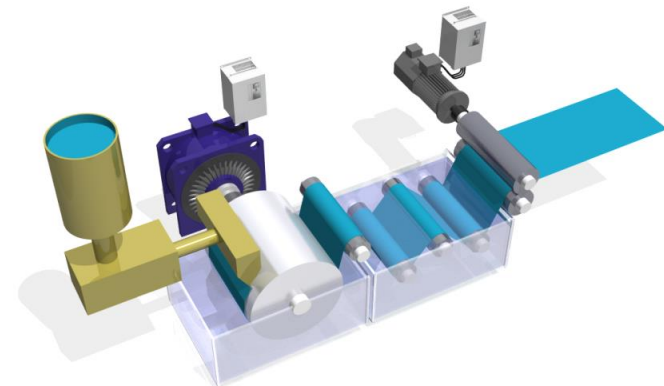
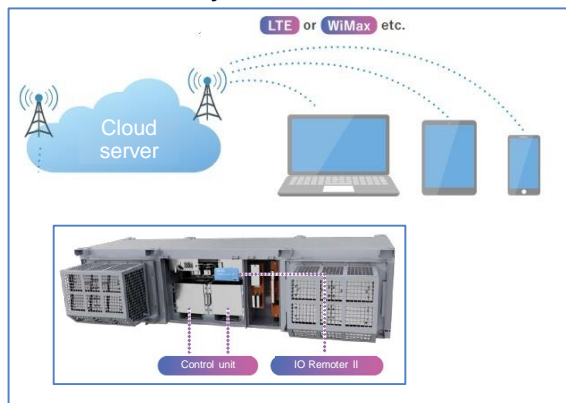
3-3. Specific Initiatives in Medium-Term Management Plan

Developing products compatible with DX and introducing them into our business

- ◆ IORemoter II, an IoT Terminal for Remote Monitoring and Control System
We are introducing an IoT terminal IORemoter II, which provides monitoring and control of moving objects or remote equipment through simple operation and at a low price, to our transportation systems business and industrial systems business.



- Transportation Systems: Realizing condition-based maintenance (CBM) by remotely monitoring electrical equipment for railway vehicles.
- Industrial Systems: Remotely monitoring the production line of factories to which Toyo Denki delivered electrical equipment.



Thank you for your interest.

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

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～心と技術を未来に～

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- 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.