

Summary of Consolidated Business Results for the First Half of Fiscal 2021

January 12, 2022

Company Name: Toyo Denki Seizo K.K. Stock Exchange: 1st Section of the Tokyo Stock Exchange
 Stock Code: 6505 URL <https://www.toyodenki.co.jp>
 Representative Akira Watanabe, President
 Inquiries: Toshihito Nakanishi, Operating Officer, General Manager, Management Planning Department
 TEL: +81-3-5202-8122

Scheduled date of submission of quarterly financial report : January 13, 2022
 Scheduled date of commencement of dividend payments : —
 Preparation of quarterly financial report supplemental explanatory materials : Yes
 Holding of quarterly financial results briefing : Yes

(Note: Amounts less than one million yen in financial statements and supplementary data are rounded down.)

1. Consolidated Business Results for the First Half of Fiscal 2021 (June 1, 2021 to November 30, 2021)

(1) Consolidated Operating Results

(Percentage figures show year-on-year increase or decrease.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1H Fiscal 2021	14,803	(11.5)	(362)	—	(83)	—	186	(58.8)
1H Fiscal 2020	16,720	(13.8)	177	(41.3)	355	(6.7)	451	(4.1)

(Note) Comprehensive income: : 1H Fiscal 2021 (695) million yen [-%]
 1H Fiscal 2020 (784) million yen [-%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
1H Fiscal 2021	20.82	—
1H Fiscal 2020	50.49	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
1H Fiscal 2021	50,290	23,044	45.8
As of May 31, 2021	51,967	24,008	46.2

(Reference) Shareholders' equity: : As of November 30, 2021 23,044 million yen
 As of May 31, 2021 24,008 million yen

2. Dividend Information

	Annual Dividend				
	1Q	Interim	3Q	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	0.00	—	30.00	30.00
Fiscal 2021	—	0.00	—	—	—
Fiscal 2021 (Forecast)	—	—	—	30.00	30.00

(Note) Revisions to the most recently announced dividend forecast: No

3. Consolidated Performance Forecast for Fiscal 2021 (June 1, 2021 to May 31, 2022)

(Percentage figures show year-on-year increase or decrease.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent		Net Income per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	33,000	(0.4)	250	(41.0)	600	(20.8)	700	(28.4)	78.29

(Note) Revisions to the most recently announced performance forecast: Yes

* Notes:

- (1) Transfers of major subsidiaries during the period: No
 (Transfers of specified subsidiaries accompanied by changes in the scope of consolidation)
 Newly included: - companies (name of the company) Excluded: - companies (name of the company)
- (2) Application of special accounting practices for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 (a) Changes in accounting policies in accordance with revisions to accounting standards and related practices: Yes
 (b) Any changes other than (a) above: No
 (c) Changes in accounting estimates: No
 (d) Restatement: No

(4) Shares outstanding (common stock)

- (a) Number of shares outstanding as of the end of the period (including treasury stock):
- (b) Number of shares of treasury stock as of the end of the period:
- (c) Average number of shares for the period (fiscal year-to-date):

1H Fiscal 2021	9,735,000 shares	Fiscal 2020	9,735,000 shares
1H Fiscal 2021	794,398 shares	Fiscal 2020	794,128 shares
1H Fiscal 2021	8,940,722 shares	1H Fiscal 2020	8,941,457 shares

* Quarterly financial reports are not subject to quarterly review procedures by a certified public accountant or audit firm.

* Disclaimer concerning the proper use of business results forecasts and other relevant specific items

(Note on forward-looking statements)

The forecasts for business results presented in this document are based on management's assumptions and beliefs in light of currently available information. Toyo Denki cautions readers that due to a variety of factors actual results may differ materially from forecasts. Please refer to "Explanation of Consolidated Performance Forecast and Other Forward-looking Information" in the Accompanying Materials on page 3 for details relating to forecasts of operating results (available in Japanese only).

* This report is an abridged translation of the Japanese summary consolidated business results, which has been prepared in accordance with accounting principles generally accepted Japan, for reference purpose only.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2020 (As of May 31, 2021)	1H Fiscal 2021 (As of November 30, 2021)
Assets		
Current assets		
Cash and cash equivalents	3,964	3,971
Trade notes and accounts receivable	13,218	—
Trade notes, accounts receivable, and contract assets	—	13,673
Electronically recorded monetary claims - operating	901	1,332
Products and finished goods	514	609
Work in process	3,565	3,079
Raw materials and stored goods	2,821	2,628
Advances	7	18
Other accounts receivable	114	18
Other	196	254
Allowance for doubtful accounts	(2)	(1)
Total current assets	25,300	25,584
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,338	12,346
Accumulated depreciation	(5,928)	(6,134)
Buildings and structures, net	6,410	6,211
Machinery and equipment	8,397	8,419
Accumulated depreciation	(7,430)	(7,564)
Machinery and equipment, net	966	855
Land	1,301	1,301
Construction in progress	24	18
Other	4,857	4,931
Accumulated depreciation	(4,234)	(4,363)
Other, net	622	567
Total property, plant and equipment	9,325	8,955
Intangible assets		
Software	289	195
Other	14	14
Total intangible assets	303	209
Investments and other assets		
Investment securities	13,832	12,399
Deferred tax assets	223	218
Other	2,988	2,929
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	17,037	15,540
Total fixed assets	26,666	24,705
Total assets	51,967	50,290

Toyo Denki Seizo K. K. (6505)
Summary of Consolidated Business Results for the First Half of Fiscal 2021
(Millions of yen)

	Fiscal 2020 (As of May 31, 2021)	1H Fiscal 2021 (As of November 30, 2021)
Liabilities		
Current liabilities		
Trade notes and accounts payable	1,668	1,726
Electronically recorded obligations - operating	4,705	4,061
Short-term debt	2,085	2,785
Accrued expenses	611	645
Income taxes payable	161	155
Consumption and other taxes payable	207	34
Advances received	34	—
Contract liabilities	—	53
Deposits received	193	194
Reserve for directors' bonuses	36	19
Reserve for employees' bonuses	827	849
Reserve for order losses	871	922
Other	224	121
Total current liabilities	11,628	11,568
Long-term liabilities		
Long-term debt	11,759	11,466
Long-term payables	17	17
Deferred tax liabilities	427	39
Net defined benefit liability	4,124	4,152
Other	1	1
Total long-term liabilities	16,330	15,677
Total liabilities	27,958	27,245
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	12,320	12,238
Treasury stock	(1,281)	(1,282)
Total shareholders' equity	19,214	19,132
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities	4,803	3,914
Foreign currency translation adjustments	88	82
Adjustments of defined benefit plans	(97)	(85)
Total accumulated other comprehensive income	4,793	3,911
Total net assets	24,008	23,044
Total liabilities and net assets	51,967	50,290

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income for the First Half

(Millions of yen)

	1H Fiscal 2020 (June 1, 2020 to November 30, 2020)	1H Fiscal 2021 (June 1, 2021 to November 30, 2021)
Net sales	16,720	14,803
Cost of sales	13,003	11,754
Gross profit	3,716	3,048
Selling, general and administrative expenses	3,539	3,411
Operating income (loss)	177	(362)
Non-operating income		
Interest income	0	0
Dividend income	154	105
Equity in profit of unconsolidated subsidiaries and affiliates	23	121
Foreign exchange gains	—	63
Insurance claim income from disasters	34	—
Miscellaneous income	29	26
Total non-operating income	242	316
Non-operating expenses		
Interest expenses	33	30
Loss on disposal of fixed assets	0	0
Foreign exchange losses	17	—
Miscellaneous loss	13	7
Total non-operating expenses	65	38
Ordinary income (loss)	355	(83)
Extraordinary income		
Gain on sales of investment securities	407	366
Gain on the reversal of foreign currency translation adjustments	—	94
Total extraordinary income	407	460
Extraordinary losses		
Losses on valuation of investment securities	—	59
Total extraordinary losses	—	59
Income before income taxes	762	317
Income taxes: Current	423	127
Income taxes: Deferred	(112)	4
Total income taxes	311	131
Net income	451	186
Net income attributable to owners of the parent	451	186

Summary of Consolidated Business Results for the First Half of Fiscal 2021

Consolidated Statements of Comprehensive Income for the First Half

	(Millions of yen)	
	1H Fiscal 2020 (June 1, 2020 to November 30, 2020)	1H Fiscal 2021 (June 1, 2021 to November 30, 2021)
Net income	451	186
Other comprehensive income		
Unrealized holding gains on available-for-sale securities	(1,258)	(888)
Foreign currency translation adjustments	31	2
Adjusted amounts of defined benefit plans	22	12
Share of other comprehensive income of affiliates to which the equity method is applied	(30)	(8)
Total other comprehensive income	(1,236)	(881)
Comprehensive income	(784)	(695)
Comprehensive income attributable to:		
Owners of the parent	(784)	(695)
Non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

	(Millions of yen)	
	1H Fiscal 2020 (June 1, 2020 to November 30, 2020)	1H Fiscal 2021 (June 1, 2021 to November 30, 2021)
Cash flows from operating activities		
Income before income taxes	762	317
Depreciation and amortization	673	613
Increase (decrease) in allowance for doubtful accounts	1	(0)
Increase (decrease) in reserve for employees' bonuses	34	21
Increase (decrease) in net defined benefit liability	21	27
Increase (decrease) in reserve for order losses	192	50
Interest and dividend income	(154)	(105)
Interest expenses	33	30
Insurance claim income from disasters	(34)	—
Loss (gain) on sales of investment securities	(407)	(366)
Gain on the reversal of foreign currency translation adjustments	—	(94)
Decrease (increase) in notes and accounts receivable-trade	635	(887)
Decrease (increase) in inventories	(244)	583
Increase (decrease) in notes and accounts payable-trade	(771)	(585)
Increase (decrease) in advances received	21	18
Increase (decrease) in accrued expenses	24	54
Equity in loss (profit) of unconsolidated subsidiaries and affiliates	(23)	(121)
Loss (gain) on valuation of investment securities	—	59
Increase (decrease) in consumption and other taxes payable	(276)	(173)
Other	(15)	(38)
Subtotal	472	(597)
Interest and dividend received	154	105
Interest expenses paid	(34)	(31)
Refund of (Payments for) corporate and other taxes	(374)	(101)
Cash flows from operating activities	218	(624)
Cash flows from investing activities		
Purchases of property, plant and equipment	(211)	(239)
Proceeds from sales of property, plant and equipment	—	0
Purchases of intangible assets	(19)	(16)
Purchases of investment securities	(96)	(6)
Proceeds from sales of investment securities	693	466
Proceeds from liquidation of a related company	—	283
Payments of loans receivable	(15)	—
Other	(28)	(17)
Cash flows from investing activities	322	470
Cash flows from financing activities		
Increase (decrease) in short-term debt	1,416	700
Repayment of long-term debt	(324)	(292)
Purchase of treasury stock	0	0
Cash dividend paid	(267)	(268)
Other	0	0
Cash flows from financing activities	822	137
Effect of exchange rate change on cash and cash equivalents	3	23
Increase (decrease) in cash and cash equivalents	1,368	7
Balance of cash and cash equivalents at the beginning of the period	3,293	3,964
Balance of cash and cash equivalents at the end of the period	4,661	3,971

(3) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal period under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer in the amount expected to be received upon exchange of said goods or services.

In addition, the Company applies the alternative practice provided in Paragraph 98 of the Guidance on Accounting Standard for Revenue Recognition and recognizes revenue upon shipment of goods or products sold in Japan, if the period from shipment to transfer of control of the goods or products to the customer is of normal length.

As for construction contracts, the Company has conventionally applied the percentage-of-completion method to the portion of on-going construction with a certainty of delivery, and the completion contract method to others. However, as for contracts where performance obligations are fulfilled through a certain period from the fiscal period under review, the Company has shifted to a method in which it estimates the percentage of completion concerning the fulfillment of performance obligations and recognizes revenue based on the completion status for a certain period. As for contracts where performance obligations are fulfilled at a certain point of time, the Company has shifted to a method in which it recognizes revenue at the completion of construction, etc. The percentage of completion concerning the fulfillment of performance obligations is estimated based on the ratio of incurred cost to gross estimated cost (input method).

Application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal period under review, was added to or deducted from the opening balance of retained earnings of the fiscal period under review, and thus the new accounting policy was applied from such opening balance.

There is no impact on the profit and loss of the first half of the year under review as a result of this change. There is also no impact on the beginning balance of retained earnings.

Due to the application of the Accounting Standard for Revenue Recognition, "Trade notes and accounts receivable," which were presented under "Current assets" in the consolidated balance sheet for the previous fiscal year, are included in "Trade notes, accounts receivable, and contract assets" from the fiscal period under review, and "Advances received," which were presented under "Current liabilities," are included in "Contract liabilities" from the fiscal period under review. In accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations have been applied from the beginning of the fiscal period under review, and in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. is applied prospectively. There was no impact on the quarterly consolidated financial statements.

(Segment Information)

[Segment Information]

First Half of Fiscal 2020 (June 1, 2020 to November 30, 2020)

Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other (Note 1)	Total	Adjustment Amount (Note 2)	Amount Recorded on Consolidated Statements of Income (Note 3)
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	11,078	5,035	604	2	16,720	—	16,720
Inter-segment sales and transfers	10	0	—	178	189	(189)	—
Total	11,089	5,035	604	181	16,910	(189)	16,720
Segment profit (loss)	1,065	375	175	(19)	1,596	(1,419)	177

- (Notes)
1. The “Other” segment includes operations not included in reporting segments such as the dispatch of temporary staff.
 2. The segment profit (loss) adjustment amount is a loss of 1,419 million yen. This is comprised of an elimination of intersegment sales and transfer amount of a gain of 0 million yen and corporate expenditure (a loss of 1,420 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses, as well as research and development costs that are not allocated to each reporting segment.
 3. Segment profit (loss) has been adjusted with operating income recorded under the quarterly consolidated statements of income.

First Half of Fiscal 2021 (June 1, 2021, to November 30, 2021)

Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other (Note 1)	Total	Adjustment Amount (Note 2)	Amount Recorded on Consolidated Statements of Income (Note 3)
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	10,110	4,379	309	4	14,803	—	14,803
Inter-segment sales and transfers	10	0	—	171	182	(182)	—
Total	10,120	4,379	309	176	14,986	(182)	14,803
Segment profit (loss)	1,034	(98)	49	(9)	976	(1,339)	(362)

- (Notes)
1. The “Other” segment includes operations not included in reporting segments such as the dispatch of temporary staff.
 2. The segment profit (loss) adjustment amount is a loss of 1,339 million yen. This is comprised of an elimination of intersegment sales and transfer amount of a loss of 0 million yen and corporate expenditure (a loss of 1,338 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses, as well as research and development costs that are not allocated to each reporting segment.
 3. Segment profit (loss) has been adjusted with operating loss recorded under the quarterly consolidated statements of income.

3. Other

(1) Status of Production, Orders, and Sales

(a) Production Status

Business segment	1H Fiscal 2020 (June 1, 2020 to November 30, 2020)		1H Fiscal 2021 (June 1, 2021 to November 30, 2021)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	10,927	70.2	9,250	68.8
Industrial Systems	4,403	28.3	4,021	29.9
Information Equipment Systems	240	1.5	172	1.3
Other	—	—	—	—
Total	15,572	100.0	13,443	100.0

Notes: 1 Amounts are based on sales prices.
2 The above amounts do not include consumption and other taxes.

(b) Status of Orders Received

Business segment	1H Fiscal 2020 (June 1, 2020 to November 30, 2020)		1H Fiscal 2021 (June 1, 2021 to November 30, 2021)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	8,661	21,743	8,907	20,263
Industrial Systems	5,518	5,841	4,952	5,988
Information Equipment Systems	210	146	348	144
Other	2	—	4	—
Total	14,393	27,731	14,213	26,396

Notes: 1 Amounts are based on sales prices.
2 The above amounts do not include consumption and other taxes.

(c) Sales Status

Business segment	1H Fiscal 2020 (June 1, 2020 to November 30, 2020)		1H Fiscal 2021 (June 1, 2021 to November 30, 2021)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	11,078	66.3	10,110	68.3
Industrial Systems	5,035	30.1	4,379	29.6
Information Equipment Systems	604	3.6	309	2.1
Other	2	0.0	4	0.0
Total	16,720	100.0	14,803	100.0

Notes: 1 Amounts are based on sales prices.
2 The above amounts do not include consumption and other taxes.