

Summary of Consolidated Business Results for the First Three Quarters of Fiscal 2021

April 14, 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>
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Scheduled date of submission of quarterly financial report : April 14, 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 Three Quarters of Fiscal 2021 (June 1, 2021 to February 28, 2022)

(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	%
First Three Quarters of Fiscal 2021	21,744	(9.8)	(349)	—	54	(83.2)	293	(29.5)
First Three Quarters of Fiscal 2020	24,108	(15.8)	33	(93.0)	326	(52.5)	416	(40.0)

(Note) Comprehensive income: : First Three Quarters of Fiscal 2021(559) million yen [-%]
 First Three Quarters of Fiscal 2020(265) million yen [-%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
First Three Quarters of Fiscal 2021	32.80	—
First Three Quarters of Fiscal 2020	46.54	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
As of February 28, 2022	49,673	23,180	46.7
As of May 31, 2021	51,967	24,008	46.2

(Reference) Shareholders' equity: As of February 28, 2022 23,180 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: No

* 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):

3Q Fiscal 2021	9,735,000 shares	Fiscal 2020	9,735,000 shares
3Q Fiscal 2021	794,518 shares	Fiscal 2020	794,128 shares
3Q Fiscal 2021	8,940,650 shares	3Q Fiscal 2020	8,941,372 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 of consolidated business results, and it has been prepared in accordance with accounting principles generally accepted in Japan, for reference purposes only.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2020 (As of May 31, 2021)	3Q Fiscal 2021 (As of February 28, 2022)
Assets		
Current assets		
Cash and cash equivalents	3,964	4,111
Trade notes and accounts receivable	13,218	-
Trade notes, accounts receivable, and contract assets	-	12,801
Electronically recorded monetary claims - operating	901	964
Products and finished goods	514	579
Work in process	3,565	3,592
Raw materials and stored goods	2,821	2,686
Advances	7	9
Other accounts receivable	114	17
Other	196	357
Allowance for doubtful accounts	(2)	(1)
Total current assets	25,300	25,120
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,338	12,354
Accumulated depreciation	(5,928)	(6,237)
Buildings and structures, net	6,410	6,116
Machinery and equipment	8,397	8,307
Accumulated depreciation	(7,430)	(7,531)
Machinery and equipment, net	966	776
Land	1,301	1,301
Construction in progress	24	37
Other	4,857	4,929
Accumulated depreciation	(4,234)	(4,416)
Other, net	622	513
Total property, plant and equipment	9,325	8,744
Intangible assets		
Software	289	141
Other	14	14
Total intangible assets	303	156
Investments and other assets		
Investment securities	13,832	12,483
Deferred tax assets	223	189
Other	2,988	2,985
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	17,037	15,652
Total fixed assets	26,666	24,553
Total assets	51,967	49,673

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Summary of Consolidated Business Results for the First Three Quarters of Fiscal 2021
(Millions of yen)

	Fiscal 2020 (As of May 31, 2021)	3Q Fiscal 2021 (As of February 28, 2022)
Liabilities		
Current liabilities		
Trade notes and accounts payable	1,668	1,651
Electronically recorded obligations - operating	4,705	4,423
Short-term debt	2,085	2,385
Accrued expenses	611	677
Income taxes payable	161	46
Consumption and other taxes payable	207	15
Advances received	34	-
Contract liabilities	-	65
Deposits received	193	192
Reserve for directors' bonuses	36	29
Reserve for employees' bonuses	827	411
Reserve for order losses	871	939
Other	224	115
Total current liabilities	11,628	10,955
Long-term liabilities		
Long-term debt	11,759	11,262
Long-term payables	17	17
Deferred tax liabilities	427	93
Net defined benefit liability	4,124	4,155
Other	1	7
Total long-term liabilities	16,330	15,537
Total liabilities	27,958	26,492
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	12,320	12,345
Treasury stock	(1,281)	(1,282)
Total shareholders' equity	19,214	19,239
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities	4,803	3,925
Foreign currency translation adjustments	88	94
Adjustments of defined benefit plans	(97)	(78)
Total accumulated other comprehensive income	4,793	3,940
Total net assets	24,008	23,180
Total liabilities and net assets	51,967	49,673

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income for the First Three Quarters

	(Millions of yen)	
	First Three Quarters of Fiscal 2020 (June 1, 2020 to February 28, 2021)	First Three Quarters of Fiscal 2021 (June 1, 2021 to February 28, 2022)
Net sales	24,108	21,744
Cost of sales	18,929	17,063
Gross profit	5,179	4,680
Selling, general and administrative expenses	5,145	5,030
Operating income (loss)	33	(349)
Non-operating income		
Interest income	0	0
Dividend income	208	150
Equity in profit of unconsolidated subsidiaries and affiliates	83	163
Foreign exchange gains	6	94
Insurance claim income from disasters	34	-
Miscellaneous income	37	49
Total non-operating income	370	459
Non-operating expenses		
Interest expenses	50	45
Loss on disposal of fixed assets	0	0
Miscellaneous loss	25	9
Total non-operating expenses	76	55
Ordinary income	326	54
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	-	46
Total extraordinary losses	-	46
Income before income taxes	734	468
Income taxes: Current	294	88
Income taxes: Deferred	23	87
Total income taxes	318	175
Net income	416	293
Net income attributable to owners of the parent	416	293

Summary of Consolidated Business Results for the First Three Quarters of Fiscal 2021

Consolidated Statements of Comprehensive Income for the First Three Quarters

	(Millions of yen)	
	First Three Quarters of Fiscal 2020 (June 1, 2020 to February 28, 2021)	First Three Quarters of Fiscal 2021 (June 1, 2021 to February 28, 2022)
Net income	416	293
Other comprehensive income		
Unrealized holding gains on available-for-sale securities	(225)	(877)
Foreign currency translation adjustments	50	2
Adjusted amounts of defined benefit plans	33	18
Share of other comprehensive income of affiliates to which the equity method is applied	(8)	3
Total other comprehensive income	(150)	(853)
Comprehensive income	265	(559)
Comprehensive income attributable to:		
Owners of the parent	265	(559)
Non-controlling interests	-	-

(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 three quarters of the fiscal 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.

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(Segment Information)

[Segment Information]

First Three Quarters of Fiscal 2020 (June 1, 2020 to February 28, 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	15,830	7,423	851	3	24,108	-	24,108
Inter-segment sales and transfers	48	0	-	260	309	(309)	-
Total	15,878	7,423	851	263	24,417	(309)	24,108
Segment profit (loss)	1,449	435	244	(34)	2,094	(2,060)	33

- (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 2,060 million yen. This is comprised of an elimination of intersegment sales and transfer amount of a gain of 1 million yen and corporate expenditure (a loss of 2,062 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 Three Quarters of Fiscal 2021 (June 1, 2021 to February 28, 2022)

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	14,164	7,015	557	6	21,744	-	21,744
Inter-segment sales and transfers	10	0	-	249	260	(260)	-
Total	14,175	7,015	557	256	22,004	(260)	21,744
Segment profit (loss)	1,486	63	111	(16)	1,644	(1,994)	(349)

- (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 1,994 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 1,994 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	First Three Quarters of Fiscal 2020 (June 1, 2020 to February 28, 2021)		First Three Quarters of Fiscal 2021 (June 1, 2021 to February 28, 2022)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	15,729	68.4	13,194	66.1
Industrial Systems	6,933	30.2	6,476	32.4
Information Equipment Systems	327	1.4	304	1.5
Other	-	-	-	-
Total	22,991	100.0	19,975	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	First Three Quarters of Fiscal 2020 (June 1, 2020 to February 28, 2021)		First Three Quarters of Fiscal 2021 (June 1, 2021 to February 28, 2022)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	14,619	22,932	13,648	20,949
Industrial Systems	7,101	5,036	6,783	5,183
Information Equipment Systems	424	112	712	260
Other	3	-	6	-
Total	22,149	28,082	21,151	26,393

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

(c) Sales Status

Business segment	First Three Quarters of Fiscal 2020 (June 1, 2020 to February 28, 2021)		First Three Quarters of Fiscal 2021 (June 1, 2021 to February 28, 2022)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	15,830	65.7	14,164	65.1
Industrial Systems	7,423	30.8	7,015	32.3
Information Equipment Systems	851	3.5	557	2.6
Other	3	0.0	6	0.0
Total	24,108	100.0	21,744	100.0

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