
Financial Results Briefing for the Fiscal Year Ended May 31, 2024

July 12, 2024
Toyo Denki Seizo K.K.

■ Briefing on Financial Results: 40 minutes

1. Overview of Financial Results for the Fiscal Year Ended May 31, 2024
2. Financial Results Forecast for the Fiscal Year Ending May 31, 2025
3. Progress of Medium-Term Management Plan 2026
4. Measures to Realize Management with Awareness of Capital Cost and Stock Price

■ Q&A: 20 minutes

1. Overview of Financial Results for the Fiscal Year Ended May 31, 2024
(From June 2023 to May 2024)

1-1. Overview of Consolidated Financial Results

Orders received grew significantly. Both net sales and profit increased from a year earlier thanks to efforts to improve profitability despite the continued impact on sales due to shortages of some parts and materials

100 million yen

	FYE May 2023	FYE May 2024	YoY Change		FYE May 2024 Forecast	Change vs. Forecast	
				%			%
Orders received	332.4	440.1	+ 107.7	+32.4%	410.0	+ 30.1	107.4%
Net sales	310.2	321.4	+ 11.1	+3.6%	345.0	(23.5)	93.2%
Operating profit	5.1	9.2	+ 4.1	+79.2%	6.0	+ 3.2	154.6%
%	1.7%	2.9%	1.2pt	—	1.7%	1.2pt	—
Ordinary profit	9.8	14.8	+ 5.0	+50.7%	9.5	+ 5.3	156.6%
Profit	8.2	9.3	+ 1.1	+13.4%	8.0	+ 1.3	116.9%
[Profit per share (yen)]	91.85	99.53	+7.68	—	84.81	+14.72	—
ROE	3.5%	3.7%	+0.2Pt	—			
Ratio of overseas sales to net sales	19.7%	22.4%	+2.7Pt	—			

<Reference> Review of the Business Environment for the Fiscal Year Ended May 31, 2024

Transportation Business

- The recovery in demand from the post-COVID-19 period, including inbound travel, led to a recovery in the performance of domestic railway operators, and orders for new rolling stock production and equipment upgrades increased, mainly at private railways.
- Overseas (other than in China), orders for electrical equipment for urban transportation in Indonesia and maintenance parts for high-speed railways in China increased.

Industry Business

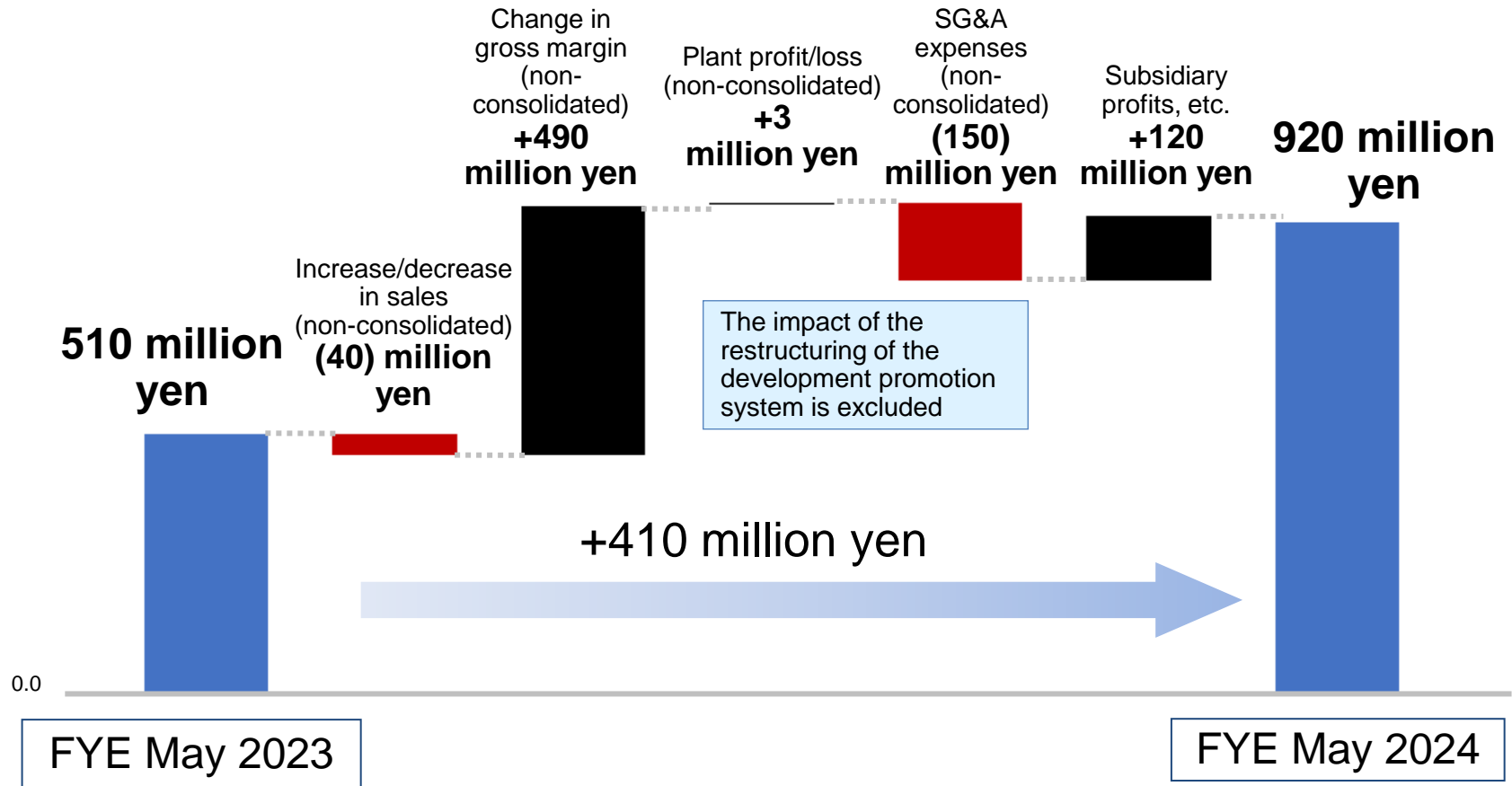
- In the testing system for automobiles, capital investment for the development of electric vehicles (EVs) accelerated. Orders for and inquiries about space-saving products utilizing power supply equipment that simulates a battery and our proprietary in-tire house dynamo technology increased.
- Orders for and inquiries about BCP-compliant power generation and power supply systems and production and processing equipment systems for energy-saving and maintenance-saving increased.

ICT Solution Business

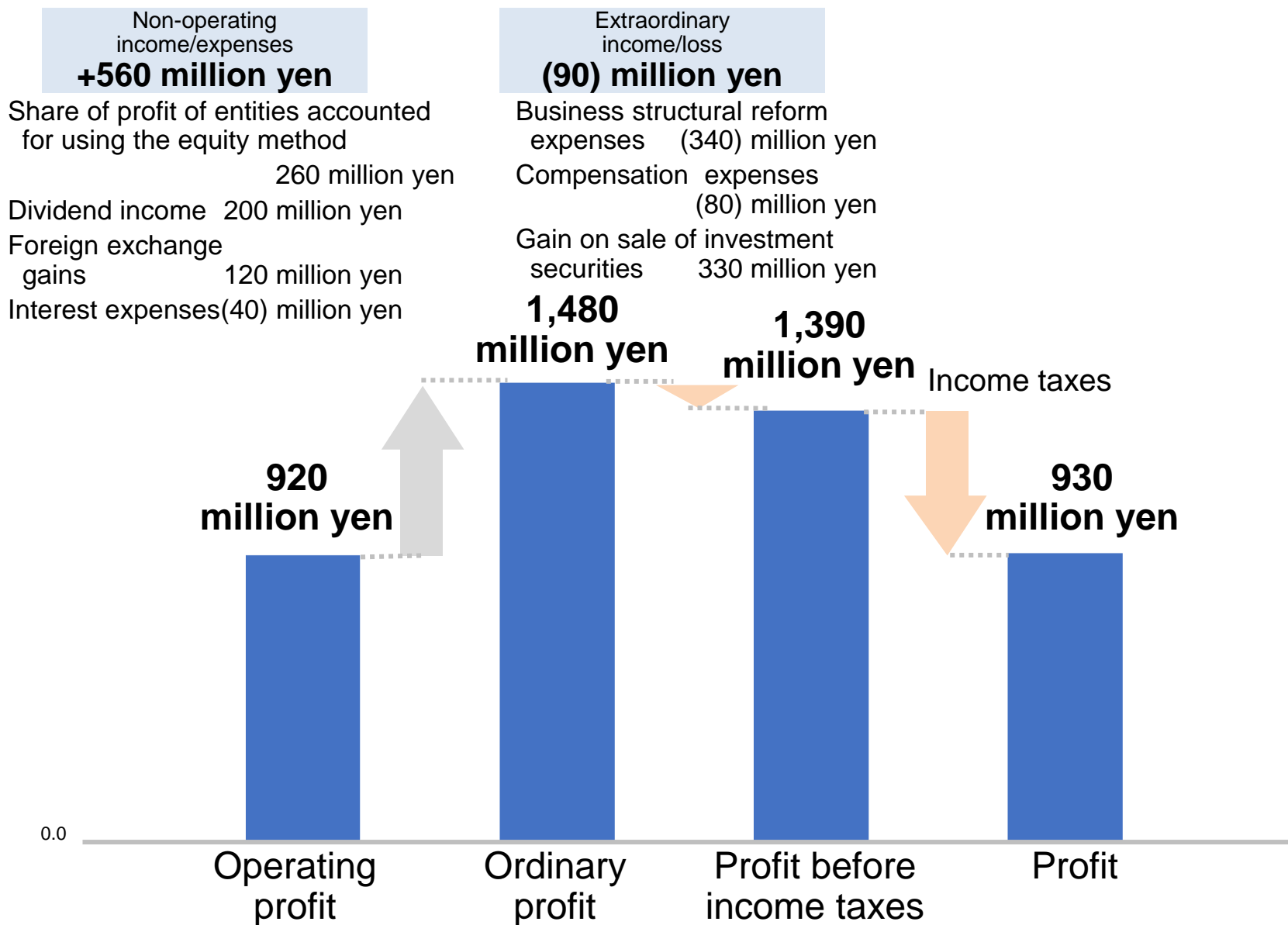
- In the area of station operating equipment systems, orders were received for the development of software to improve services for railway users such as a cashless service. And in the area of remote monitoring systems, orders were received for IoT devices for monitoring mounted on mobile devices, and other items but both orders and sales declined due to a reactionary decline in spot projects in the previous fiscal year.

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

Although personnel expenses in the sales, administration and manufacturing divisions increased due to the expansion of human capital investment, profit grew due to improvements in gross margin and subsidiary profits, etc.



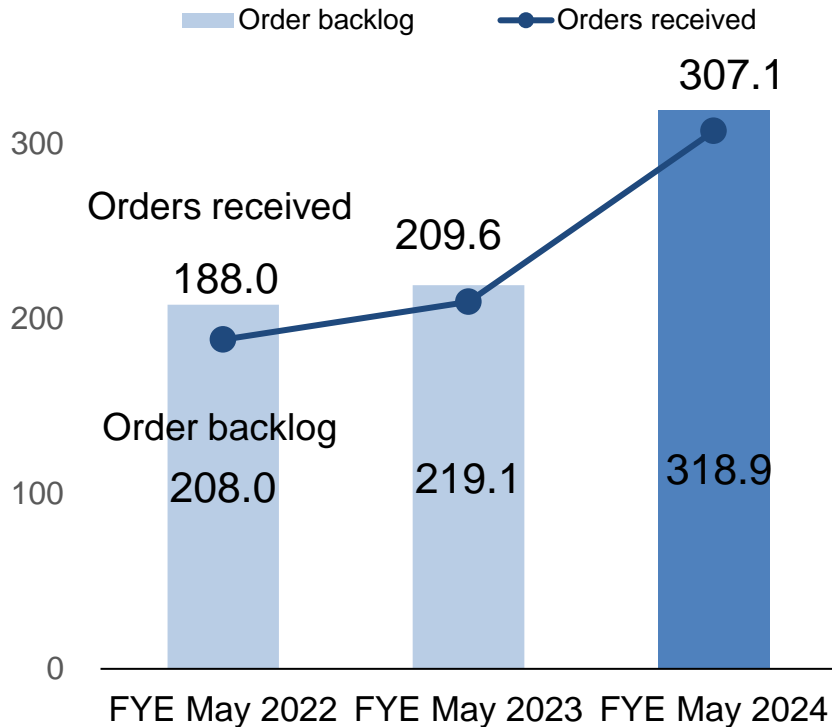
1-3. Breakdown of Non-Operating Income/Expenses and Extraordinary Income/Loss



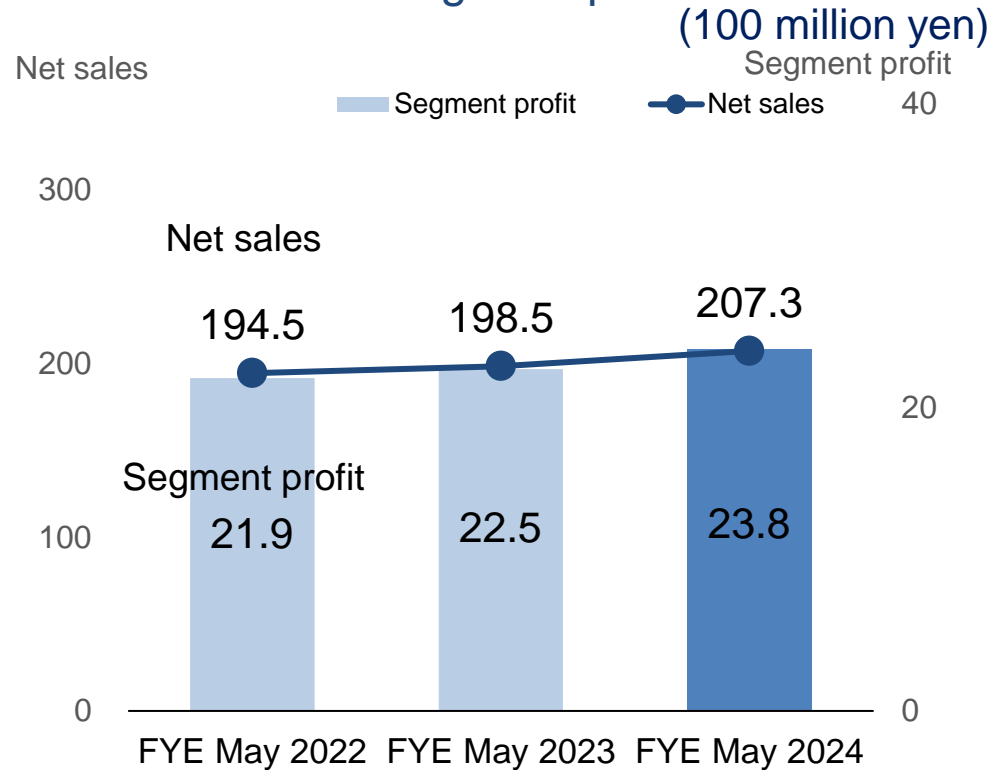
1-4. Segment Performance: Transportation Business

Orders received strongly grew driven by orders for large projects in Indonesia
 Net sales and segment profit increased

■ Orders received and order backlog



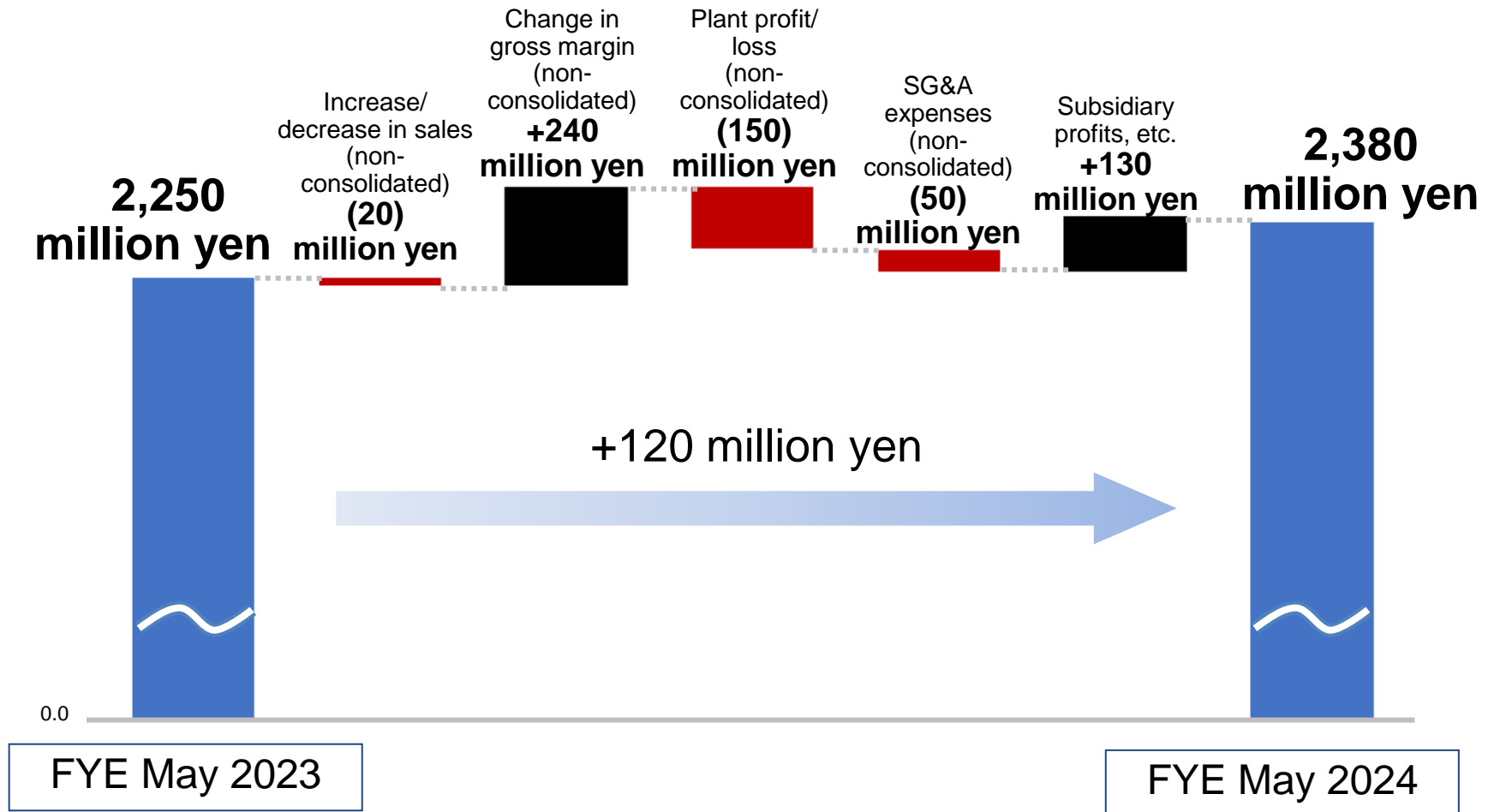
■ Net sales and segment profit



- Orders received strongly grew driven by orders for large projects in Indonesia and increases in orders from private railways and China
- Net sales grew thanks to higher sales to private railway companies and overseas (other than China) despite lower sales to JR and to companies in China
- Segment profit increased due to improvements in gross margin and subsidiary profits, etc.

1-5. Transportation Business: Factors for Increase and Decrease in Segment Profit

Despite an increase in personnel expenses in the sales, administration and manufacturing divisions, profit increased due to improvements in gross margins and subsidiary profits, etc.

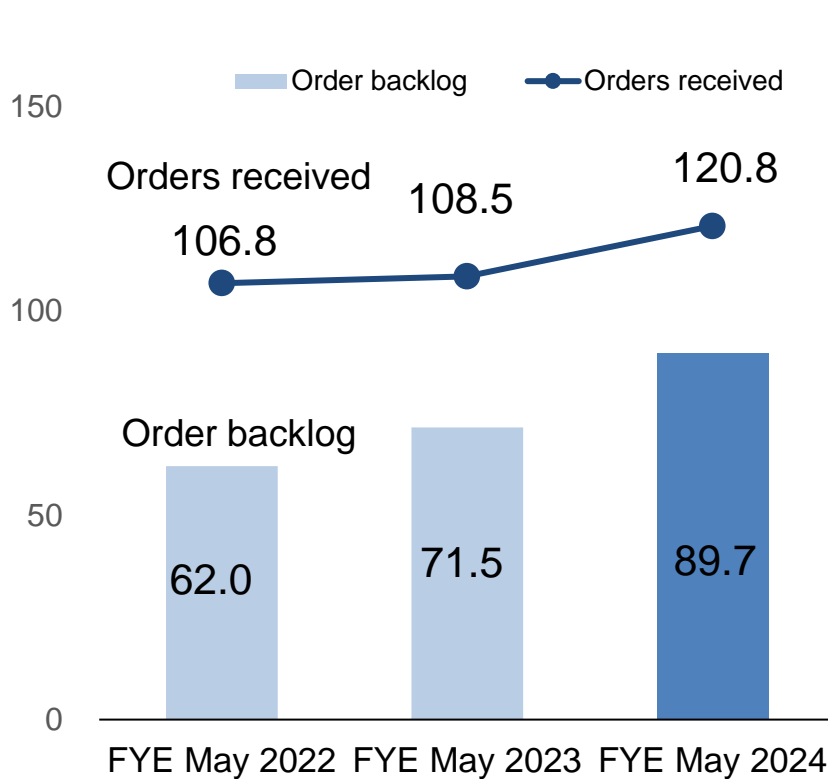


1-6. Segment Performance: Industry Business

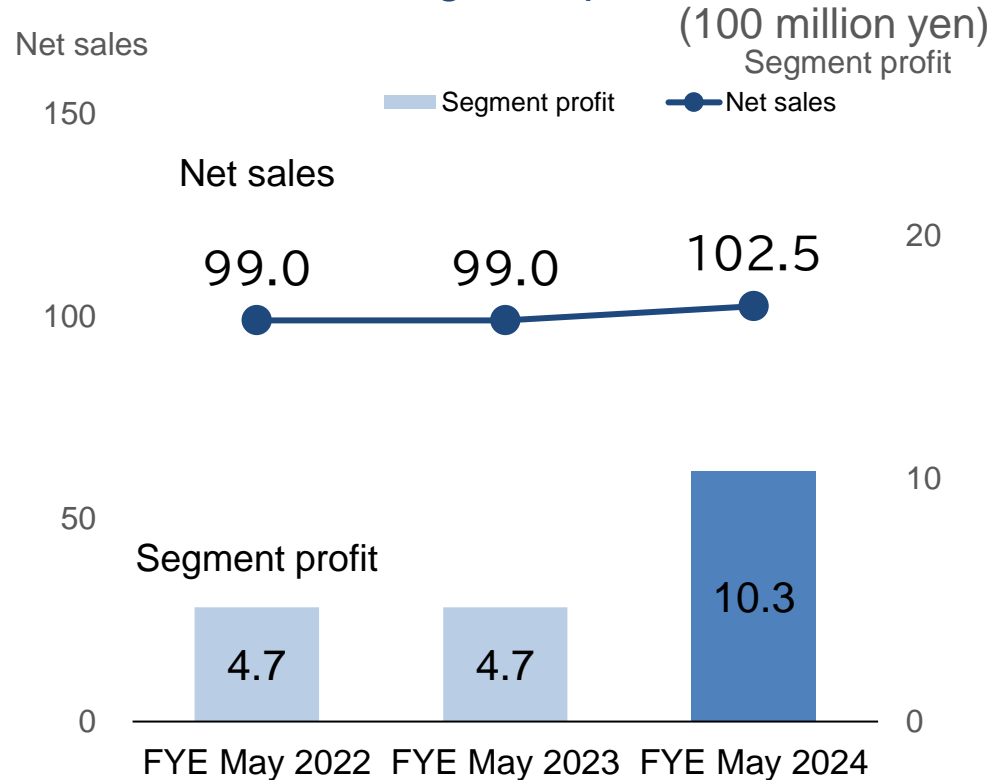
Industry

Orders received increased. Net sales rose, and profit increased significantly due to improved profitability

Orders received and order backlog



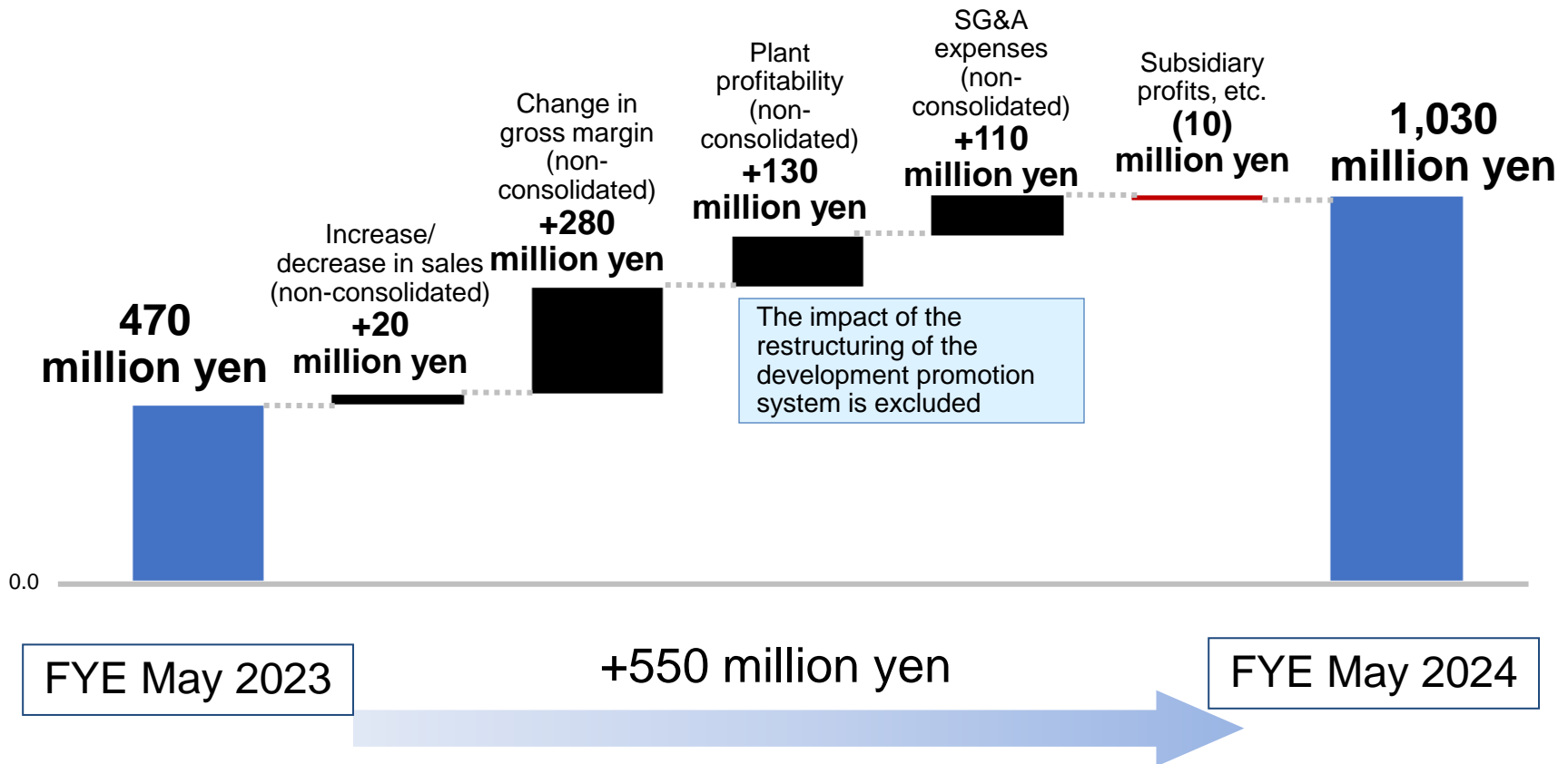
Net sales and segment profit



- Orders received increased due to large projects for testing system for automobiles, and power generation and power supply systems
- Net sales rose due to increases in testing systems for automobiles and power generation and power supply systems
- Segment profit increased significantly due to improved profitability

1-7. Industrial Business: Factors for Increase and Decrease in Segment Profit

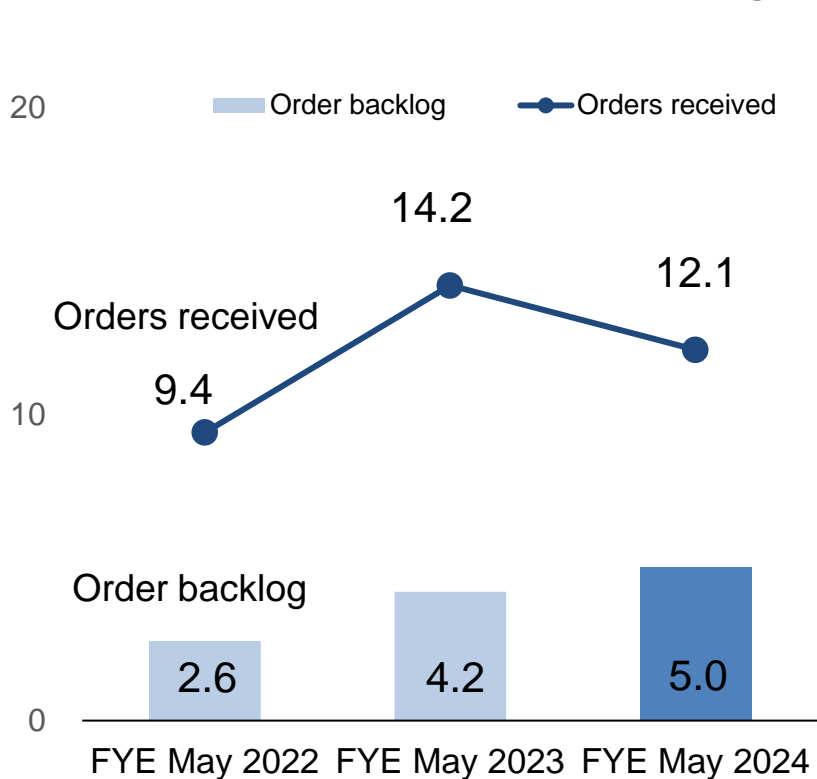
Segment profit increased significantly due to improved gross margin, improved plant profitability, and reduced SG&A expenses.



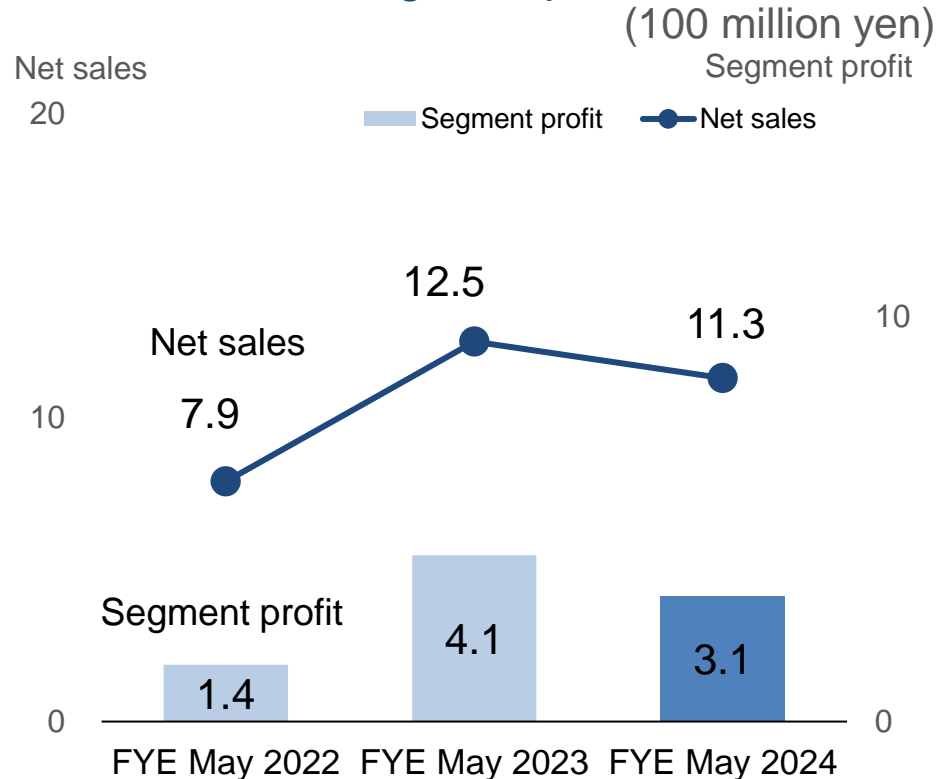
1-8. Segment Performance: ICT Solution Business

Orders received fell as a reaction to the previous fiscal year, and net sales and segment profit also declined

■ Orders received and order backlog



■ Net sales and segment profit



- Orders received fell due to a reaction to spot projects in the previous fiscal year, and net sales decreased
- Smaller sales resulted in a fall in segment profit

1-9. Consolidated Financial Position

(100 million yen)	May 31, 2023	May 31, 2024	Fiscal year-end comparison	Remarks
Total assets	496.8	516.5	+19.7	
Current assets	267.3	279.6	+12.2	Cash and deposits: +900 million yen Inventories: +1.22 billion yen Trade receivables: (740) million yen
Non-current assets	229.4	236.9	+7.4	Investment securities: +720 million yen
Total liabilities	250.9	255.8	+4.8	
Of which, net interest-bearing debt	56.5	41.6	(14.8)	
Net assets	245.8	260.7	+14.8	Retained earnings: +950 million yen Valuation difference on available-for-sale securities: +320 million yen
Equity-to-asset ratio	49.5%	50.5%	+1pt	

1-10. Trends in Consolidated Cash Flows

(100 million yen)	FYE May 2020	FYE May 2021	FYE May 2022	FYE May 2023	FYE May 2024
Cash flows from operating activities	21.4	17.7	25.0	8.1	18.4
Cash flows from investing activities	0.4	(1.5)	2.8	6.3	(4.1)
Purchases of property, plant and equipment	(6.4)	(5.4)	(3.5)	(3.2)	(3.1)
Cash flows from financing activities	(11.2)	(9.7)	(23.5)	(3.9)	(9.7)
Free cash flow	21.8	16.2	27.9	14.5	14.3
Cash at the end of the period	32.9	39.6	44.4	55.2	64.2
Interest-bearing debt	145.5	138.4	117.5	111.7	105.8
Net interest-bearing debt	112.5	98.8	73.0	56.5	41.6

- ◆ Cash flows from operating activities Cash flows provided by operating activities of 1,840 million yen due to the posting of profit before income taxes, and a decrease in trade receivables
- ◆ Cash flows from investing activities Cash flows used in investing activities of 410 million yen due to purchase of tangible and intangible fixed assets
- ◆ Cash flows from financing activities Cash flows from financing activities were used to repay borrowings due to positive operating cash flow
- ◆ Free cash flow Free cash flow has remained positive in recent years
- ◆ Net interest-bearing debt Net interest-bearing debt decreased to 4,160 million yen (down 1,400 million yen year-on-year)

2. Financial Results Forecast for the Fiscal Year Ending May 31, 2025

2-1. Outlook for Financial Results for Fiscal Year Ending May 31, 2025 (consolidated)

Orders received: 38 billion yen (despite a reactionary decline from large projects in the previous fiscal year, the level remains high)

Projected net sales of 37 billion yen, operating profit of 1.3 billion yen, profit of 1.2 billion yen, and dividend of 40 yen per share, an increase of 10 yen per share

(100 million yen)	FYE May 2024 (Results)		FYE May 2025 (Forecast)		YoY Change
	2Q	Full year	2Q	Full year	Full year
Orders received	229.3	440.1	189.0	380.0	(60.1)
Net sales	148.1	321.4	170.0	370.0	+ 48.5
Operating profit	1.8	9.2	3.2	13.0	+ 3.7
%	1.3%	2.9%	1.9%	3.5%	+0.6pt
Ordinary profit	5.5	14.8	5.7	17.0	+ 2.1
Profit	3.1	9.3	3.7	12.0	+ 2.6
[Profit per share (yen)]	33.80	99.53	39.66	128.64	+29.11
Dividend per share (yen)		30.00		40.00	

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

(100 million yen)		Transportation Business	Industry Business	IoT Solutions Business
FYE May 2025 (Forecast)	Orders received	240.0	124.0	16.0
	Net sales	239.0	115.0	16.0
	Segment profit	29.2	12.4	2.9
YoY Change	Orders received	$\Delta 67.1$	+ 3.1	+ 3.8
	Net sales	+ 31.6	+ 12.4	+ 4.6
	Segment profit	+ 5.3	+ 2.0	$\Delta 0.2$

<Reference> Assumptions for Outlook for Financial Results

The business environment assumed in the outlook for the financial results for the fiscal year ending May 31, 2025

Transportation Business

- In Japan, investment for sustainability is expected to increase, and the introduction of newly built rolling stock and equipment replacement are expected to reduce environmental impact.
- Overseas, plans to introduce newly built rolling stock and replace equipment are active, mainly in Indonesia. Promote initiatives to receive continuous orders.

Industry Business

- In the testing system for automobiles, capital investment for the development of electric vehicles (EVs) is expected to continue.
- In power generation and power supply systems, demand for emergency power generation facilities is expected to increase as part of BCP efforts.
- In production and processing equipment systems, we will strengthen our sales structure and improve profitability in order to increase orders for equipment upgrades to save energy and maintenance.

ICT Solution Business

- In addition to systems for cashless station operating equipment, we are working to expand the scope of the business to cover all aspects of ICT, including cloud-based remote monitoring systems that enable monitoring and control of mobile devices, equipment and facilities.

3. Progress of Medium-Term Management Plan 2026 (From June 1, 2022, to May 31, 2026)

Progress of Medium-Term Management Plan 2026

Status for the fiscal year ended May 2024 to achieve the target

Net sales

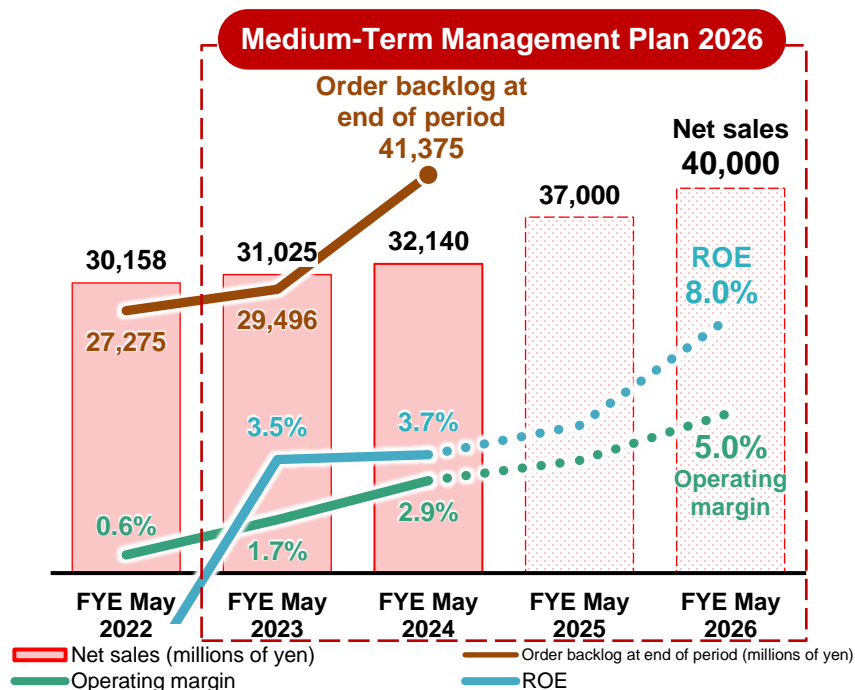
The order backlog increased significantly, despite falling short of the initial plan (Initial plan: 34,500 million yen)

Operating margin

Trend of recovery due to appropriate efforts to pass on selling prices, etc., while implementing human capital investment

ROE

Slight increase compared with the previous fiscal year, **making systematic progress** toward achieving targets for the Medium-Term Management Plan [Factors that resulted in a slight increase] -- Recorded extraordinary losses due to structural reforms in the China business



Medium-Term Management Plan 2026
Consolidated financial targets
FYE May 2026

Net sales **40** billion yen

Operating margin **5%**

ROE **8%**

Progress of Medium-Term Management Plan 2026

■ Three basic policies and their results

Three basic policies	Progress toward targets Major achievements of the first two years	Evaluation
<p>Expansion of new businesses and products</p>	<p>Transportation Expansion of the business of electrical equipment for rolling stock in Indonesia</p> <p>Industry Increase in orders for testing equipment for in-tire house dynamo applications, and trial and contract testing</p>	<p>○ Smooth</p>
<p>Thorough improvement in earnings structure of existing businesses</p>	<p>Review of appropriate selling prices in response to increases in raw material prices, etc. Gross profit margin: 22.6% in FYE May 2022 ⇒ 25.4% in FYE May 2024</p> <p>Optimizing cost management to improve plant profitability</p> <p>Reorganization of subsidiaries and affiliates in China</p>	<p>△ Need to accelerate efforts</p>
<p>Improvement in asset efficiency with awareness of capital cost</p>	<p>Continued curtailment of cross-shareholdings Gain on sales of cross-shareholdings: 530 million yen in FYE May 2023, 338 million yen in FYE May 2024</p> <p>Sale of idle real estate Gain on sale of non-current assets: 150 million yen in FYE May 2023</p>	<p>○ Smooth</p>

Progress of Medium-Term Management Plan 2026

Expansion of new businesses
and products

Transportation

Expansion of the business of electrical equipment for rolling stock in Indonesia

Due to an increase in transportation volume, the market for newly built rolling stock and equipment replacement for existing rolling stock is expected to continue expanding

KRL Commuter Line

Commuter trains operating in the Jakarta metropolitan area

Approx. 1,100 cars will be replaced with newly built cars and electrical equipment will be renewed

Newly built rolling stock made in Indonesia
PT.INKA manufactures rolling stock

Approx. 1,100 used cars made in Japan
Life-prolonging renovation plan

- Orders received for electrical equipment for 192 cars (Contract dated November 2023; approx. 5.5 billion yen)
- Technology transfer agreement (Contract dated March 2024; approx. 600 million yen)
- Orders received for replacement electrical equipment (24 cars) (Scheduled to deliver in 2025 and PT.INKA will modify rolling stock)



Conceptual image of newly built rolling stock made in Indonesia

Jakarta MRT

Subway in Metropolitan Jakarta

Japan's ODA yen loan project to expand routes

North-South Line
(Phase 1)

Opened in 2019

- Delivered to 96 newly built cars

North-South Line
Extension (Phase 2A)

Scheduled to open in 2027 or later

- Scheduled 48 newly built cars

East-West Line
(Phase 1)

Scheduled to open in 2031

- Plans for 184 newly built cars



Jakarta MRT North-South Line rolling stock

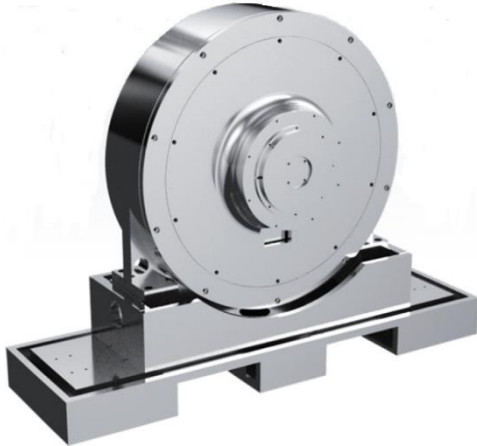
Progress of Medium-Term Management Plan 2026

Expansion of new businesses
and products

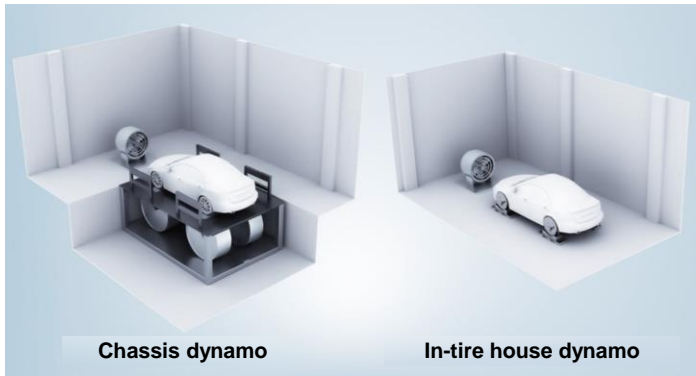
Industry

Increase in orders for testing equipment for in-tire house dynamo applications, and trial and contract testing

In-tire house dynamo



Developed to evaluate autonomous vehicles and replace chassis dynamos

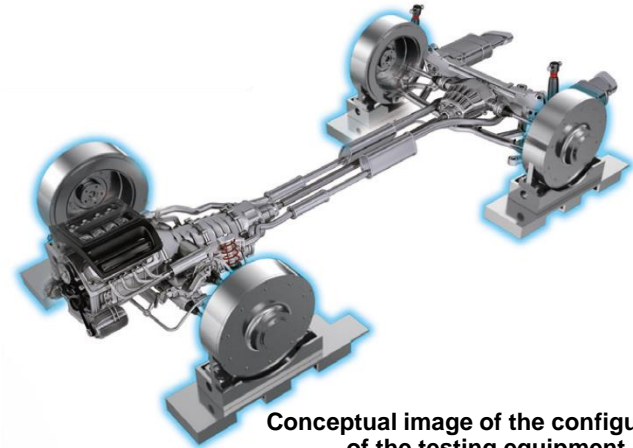


Chassis dynamo

In-tire house dynamo

No need for large-scale construction like chassis dynamo
Can be installed anywhere there is space on a flat surface

Orders received for space-saving testing equipment using in-tire house dynamo technology



Conceptual image of the configuration of the testing equipment

Increase in trial and contract testing for adoption and evaluation of in-tire house dynamos

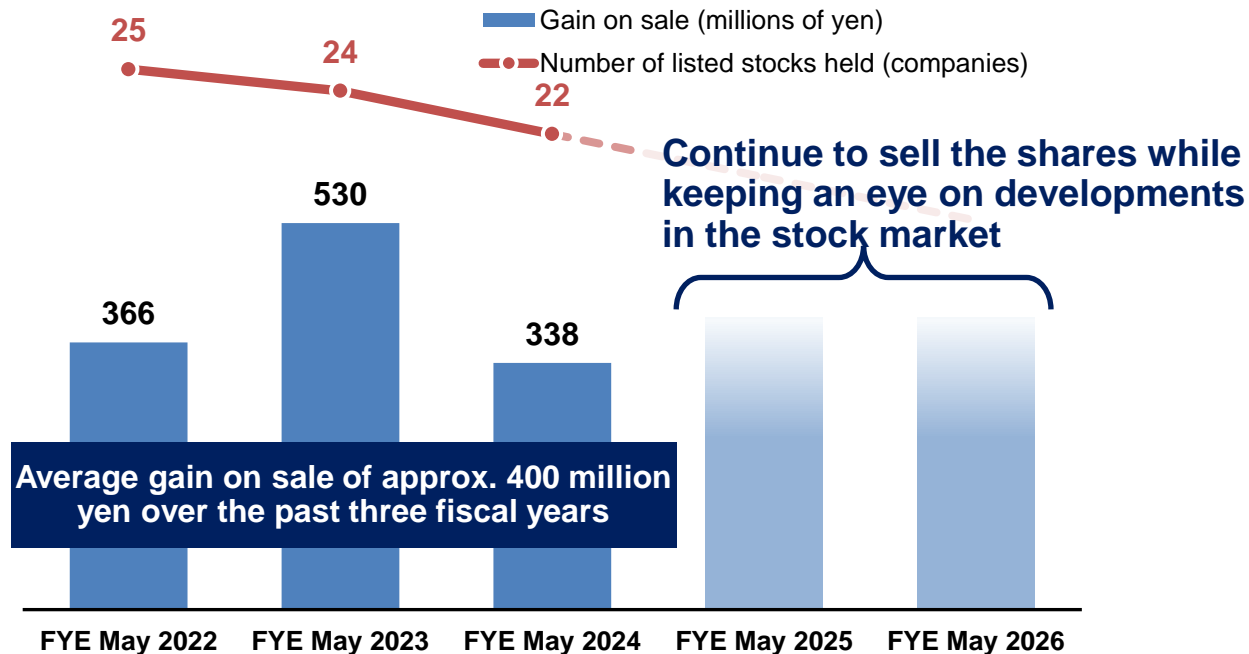


Test image using an in-tire house dynamo

■ Continued curtailment of cross-shareholdings

<<Our Approach to Cross-Shareholdings>>

- We are aware of the high net asset ratio of cross-shareholdings and are continuously reducing it
- Specifically, we examine whether the purpose of holding the shares is appropriate and whether the benefits and risks associated with holding the shares are commensurate with the capital cost, etc., and sell the shares for which the purpose of holding has weakened



**4. Action to Implement Management that
is Conscious of Cost of Capital and
Stock Price**

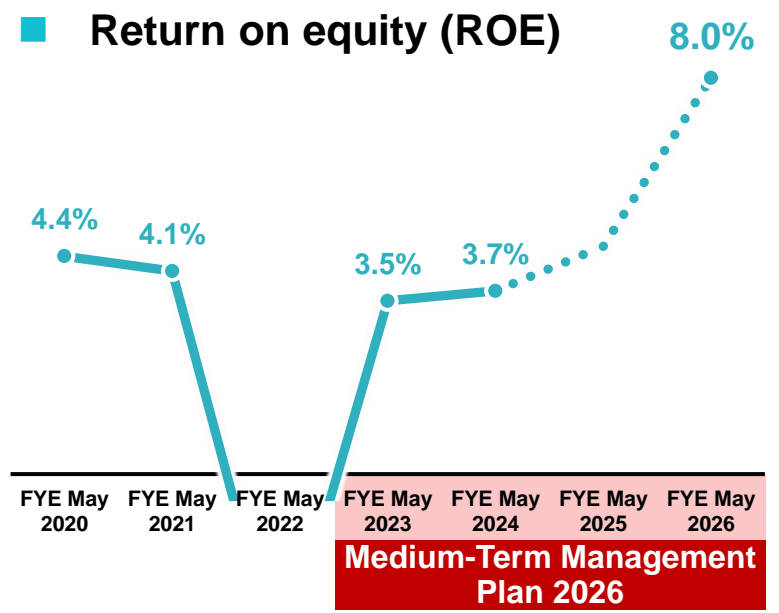
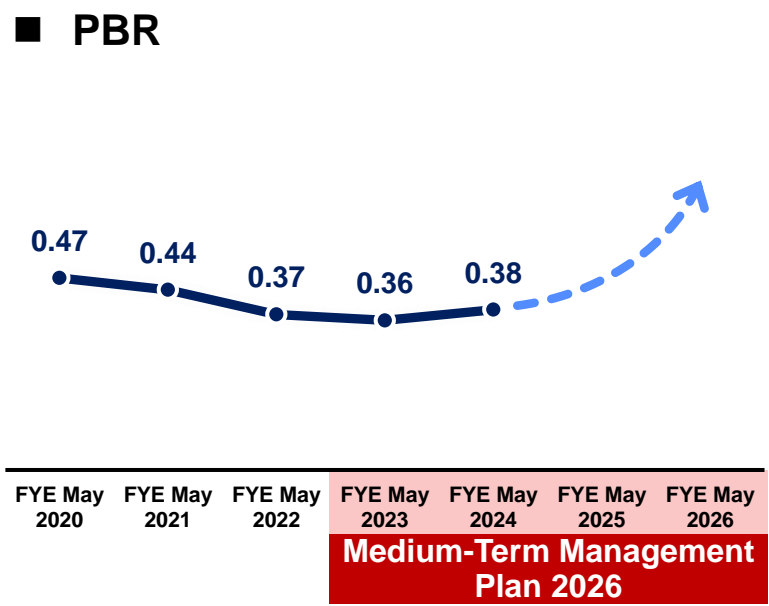
Action to Implement Management that is Conscious of Cost of Capital and Stock Price

■ Current recognition and issues

Improvement of **PBR** through improvement of **ROE** is recognized as an important management issue

PBR has been hovering around 0.4 times at present and has remained below 1 time
 Low **PBR** is attributable to low **ROE**

ROE remained below the 8% target of the **Medium-Term Management Plan 2026**



Analysis and evaluation of current situation -- Our cost of equity is approx. 7–8%

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

■ Policies for enhancing corporate value

$$\text{PBR} = \text{ROE} \times \text{PER}$$

Work to improve ROE and PER

ROE

Our goal is to achieve the ROE target of 8% for the fiscal year ending May 2026 set in **the Medium-Term Management Plan 2026**, exceeding the cost of equity

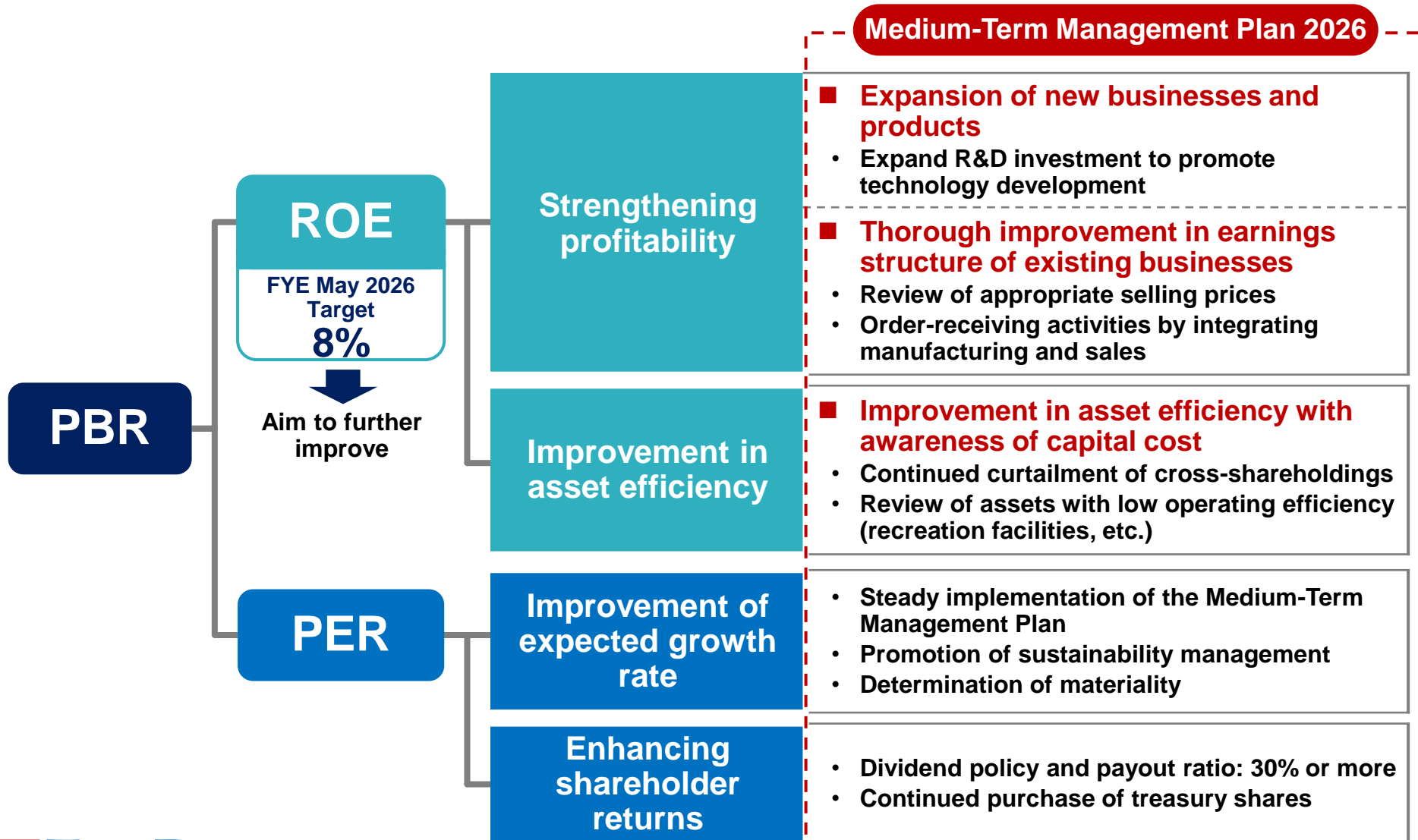
Aim to further improve ROE thereafter

PER

To improve the Group's long-term corporate value, we will communicate how we aim to achieve growth by deepening our sustainability management and strengthening our IR activities, and raise our growth expectations

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

■ Specific initiatives to increase corporate value



Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Improvement of expected growth rate

Determination of five material issues to be addressed as priorities for sustainable growth and enhancement of corporate value

	Materiality	What we aim to be	Main KPIs
1	Promotion of activities of diverse human resources	Aim to be a corporate group in which diverse human resources continue to achieve self-fulfillment by creating an organization and culture in which individuals can maximize their abilities and grow daily while taking on new challenges	<ul style="list-style-type: none"> • Employee engagement metrics • Education and training costs per employee • Ratio of female managers in administrative divisions
2	Creation of innovation using technology	Aim to be a corporate group that continues to contribute to the creation of an affluent society by constantly striving for technological improvements and creating new innovations based on the spirit (heart) of craftsmanship that has been passed down from generation to generation	<ul style="list-style-type: none"> • New sales based on new development • Number of new product and business proposals • Number of automation and labor-saving improvements
3	Stable procurement and high-quality manufacturing	Aim to be a corporate group that continues to provide high-quality products and services by building a strong supply chain that can coexist and prosper with suppliers and by sincerely manufacturing while thoroughly listening to customers' opinions.	<ul style="list-style-type: none"> • Number of new suppliers developed • Reduction of losses in manufacturing processes • Strengthen delivery management
4	Contributing to a decarbonized society	Aim to be a corporate group that continues to contribute to the realization of a sustainable society through the development and sale of products and services that respond to climate change based on outstanding motor drive technology	<ul style="list-style-type: none"> • Reduction of CO₂ emissions in Scope 1 & 2 • Reduction of CO₂ emissions during shipping and transportation • Orders received for products and services contributing to decarbonization
5	Conducting corporate activities responsible to society and stakeholders	Aim to continue to be an indispensable corporate group for society and stakeholders while maintaining ethical and transparent management and increasing corporate value	<ul style="list-style-type: none"> • Rate of participation in human rights training • Rate of participation in compliance training • Improvement rate of information security training results

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

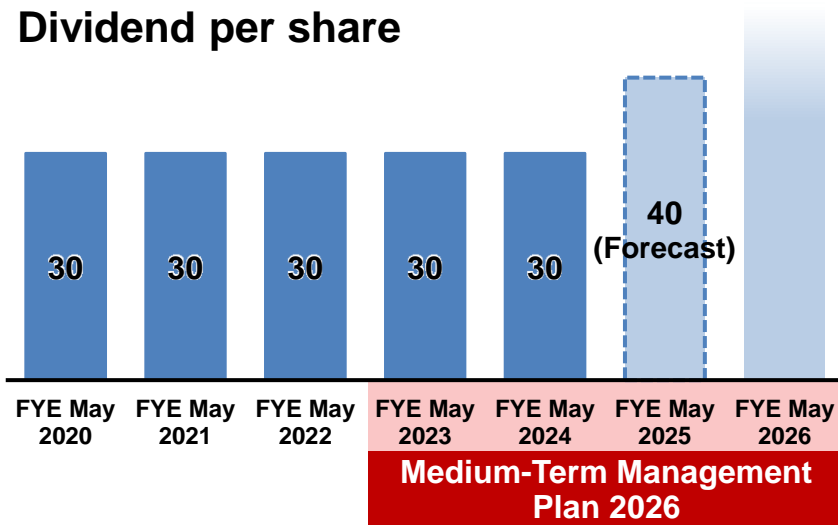
Enhancing shareholder returns

■ Dividend policy

Under Medium-Term Management Plan 2026, we aim to increase dividends and enhance corporate value by expanding profits, while maintaining a sustainable, stable dividend payout ratio of at least 30% as our basic policy.

(Dividend forecast for the fiscal year ending May 2025: 40 yen)

Dividend per share



■ Continued purchase of treasury shares

Continued implementation based on comprehensive consideration of funding, business performance, stock prices, etc.

Current ongoing purchase of treasury shares

Disclosed on January 11, 2024

Acquisition period	: January 12, 2024, to January 10, 2025
Number of shares acquired	: Up to 300,000 shares
Total acquisition price	: Up to 300 million yen

<Reference> Our company profile and business overview

- (1) Establishment** : **June 20, 1918 (106 years since establishment)**
- (2) Capital stock** : **4.9 billion yen**
(consolidated: fiscal year ended May 31, 2024)
- (3) Net Sales** : **321 billion yen (ditto)**
- (4) Number of employees** : **1,147 (ditto)**
- (5) Business lines** : **Transportation Business**
Industry Business
ICT Solution Business
- (6) Production base** : **Yokohama Plant**
Shiga Ryuo Plant



<Yokohama Plant>



<Shiga Ryuo Plant>

<Reference> Our company profile and business overview

We are contributing to the development of the railway and industrial fields as a heavy electric machinery manufacturer with three businesses: **Transportation Business, Industry Business, and ICT Solution Business.**

Transportation Business: products and systems for moving trains



Pantograph



Variable Voltage Variable Frequency (VVVF) Inverter Controller



Motor



Gear units

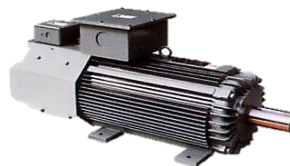
Industry Business: production, infrastructure facilities, etc.



Automobile test system



Inverter



ED motor

ICT Solution Business: station service equipment, etc.



Portable terminal for conductor



Cloud-type remote monitoring control system

Disclaimer

- 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.

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