
Financial Results Briefing

Fiscal 2015 (Ended May 2016)

July 13, 2016

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■ Briefing on Financial Results: 25 minutes

1. Overview of Financial Results for Fiscal 2015
2. Outlook for Financial Results for Fiscal 2016
3. Medium-Term Management Plan
“Next 100: Beyond the 100-Year Mark (Ver. 2)”

■ Q&A: 30 minutes

1. Overview of Financial Results for Fiscal 2015

(June 1, 2015 – May 31, 2016)

1-1. Overview of Consolidated Financial Results

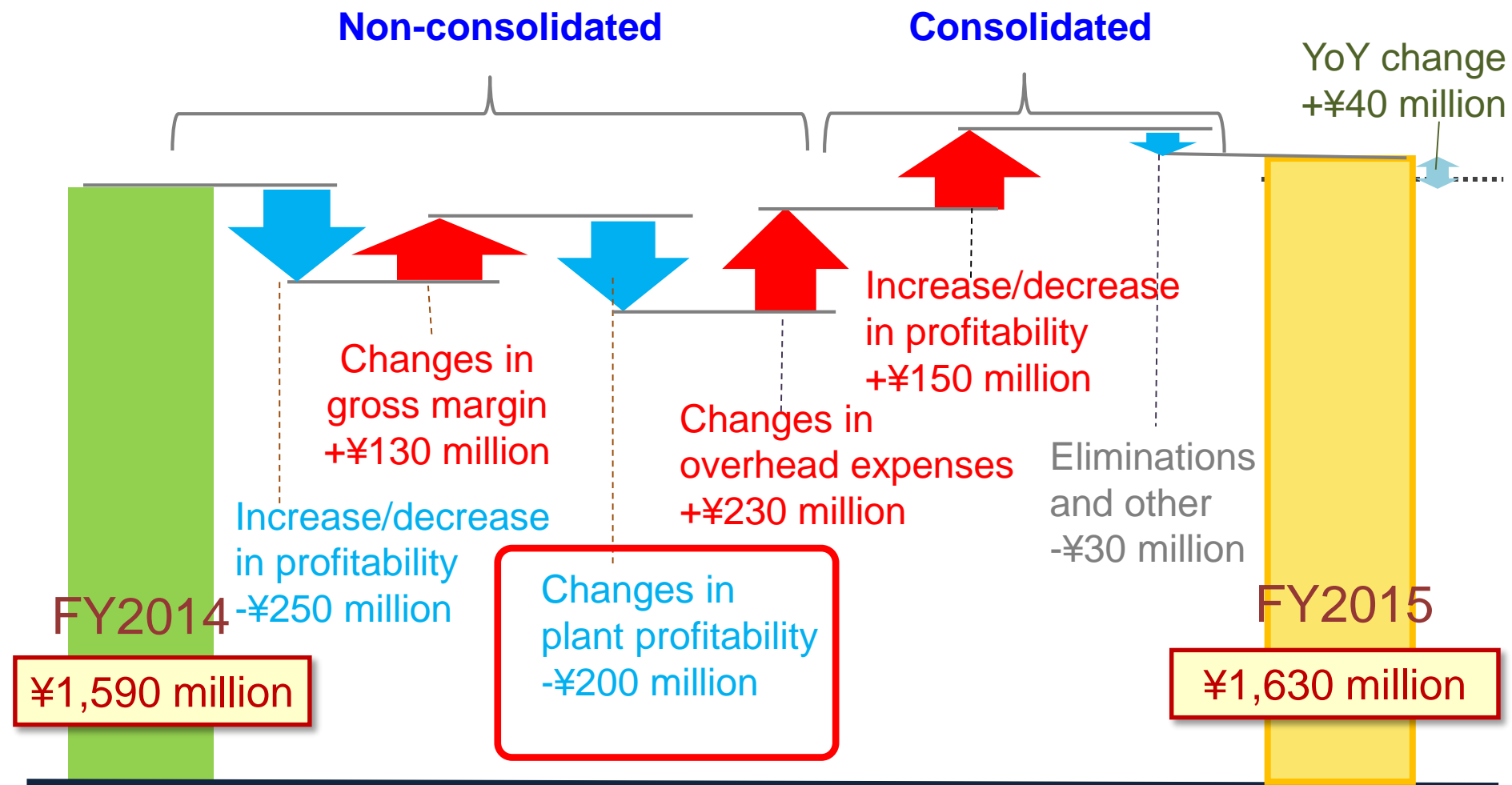
Net sales and operating income are slightly higher than last year.
Ordinary income and net income are slightly lower than last year due to foreign currency transaction losses.

(Billions of yen)

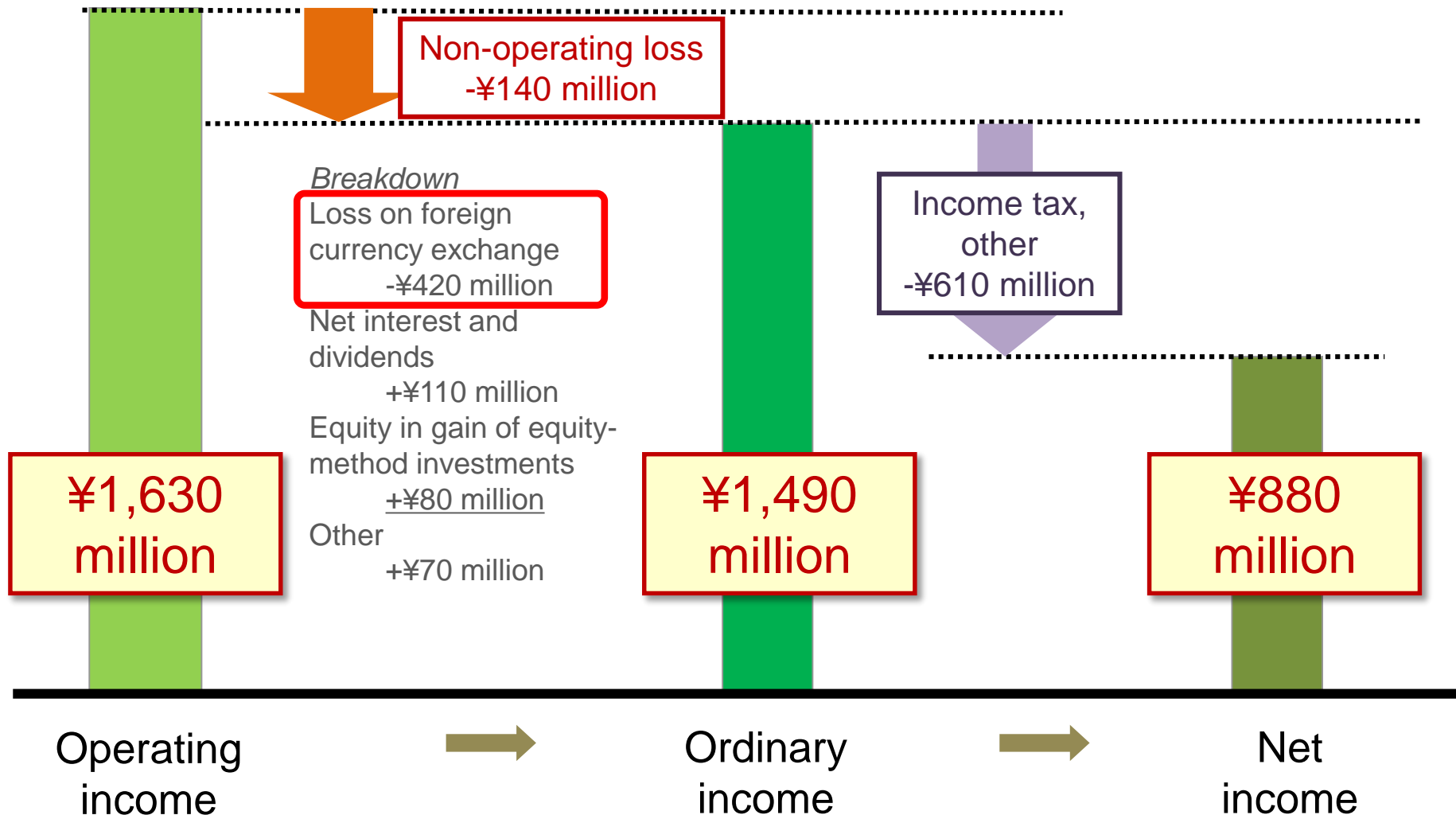
	FY2013	FY2014	FY2015	YoY Change	(%)
Net sales	34.95	39.61	39.74	+0.13	+0.3%
Operating income (%)	1.07 (3.1%)	1.59 (4.0%)	1.63 (4.1%)	+0.04 (+0.1%)	+2.7% —
Ordinary income	1.03	2.05	1.49	-0.56	-27.4%
Net income	0.64	1.10	0.88	-0.22	-20.5%
Net income per share (Yen)	13.37	22.94	18.47	-0.45	—
ROE	3.4%	5.0%	3.7%	-1.3%	—
Orders received	42.56	39.07	39.89	+0.82	+2.1%
Ratio of overseas sales to net sales	27.3%	38.0%	31.8%	-6.2%	—

1-2. Factors Contributing to YoY Changes in Operating Income

Productivity transformation initiatives have been commenced in order to improve plant profitability as quickly as possible.



1-3. Details of Non-Operating Income and Expenses



Note: Currency exchange rates

End of May 2015: ¥123.73/ US\$1.00

End of May 2016: ¥110.94/ US\$1.00

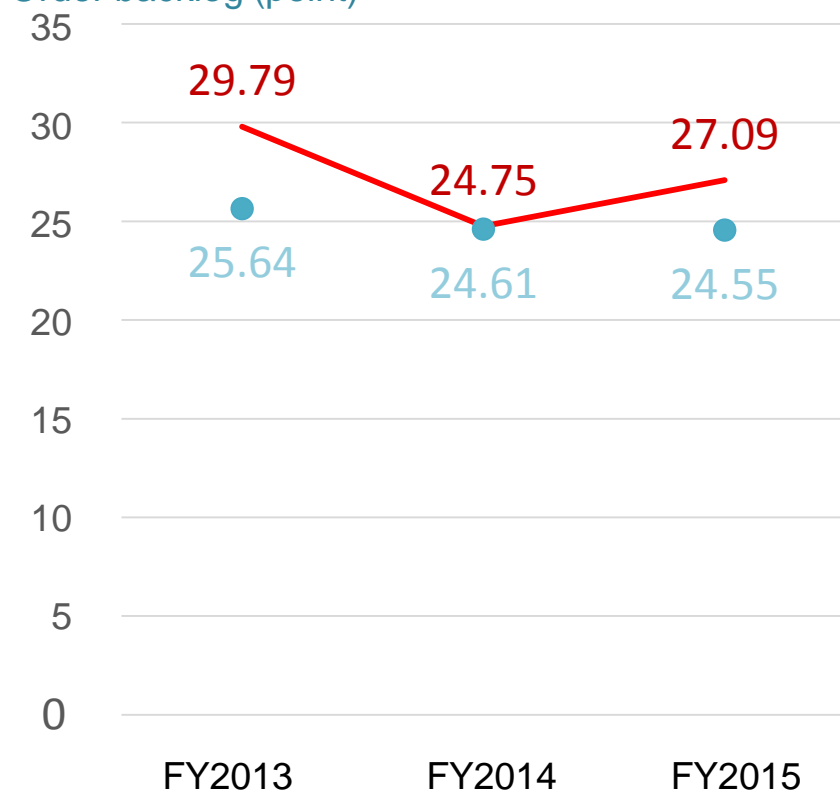
1-4. Segment Performance: Transportation Systems

Orders received are improving both domestically and overseas. Net sales and income are slightly down from last year.

(Billions of yen)

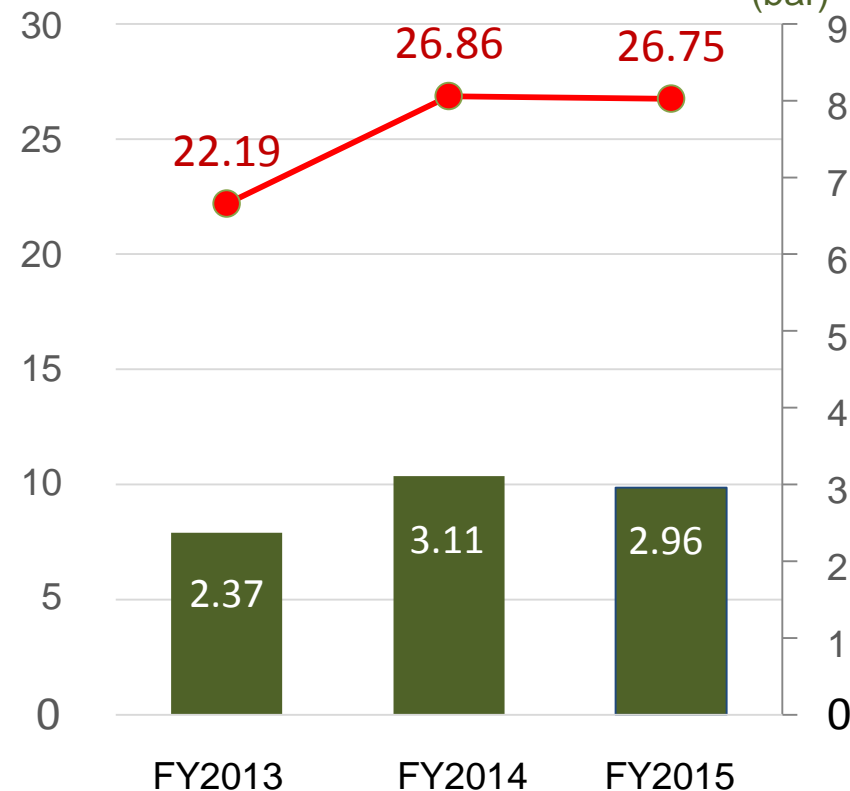
Orders Received and Order Backlog

Orders received (line)
Order backlog (point)



Net Sales and Segment Income

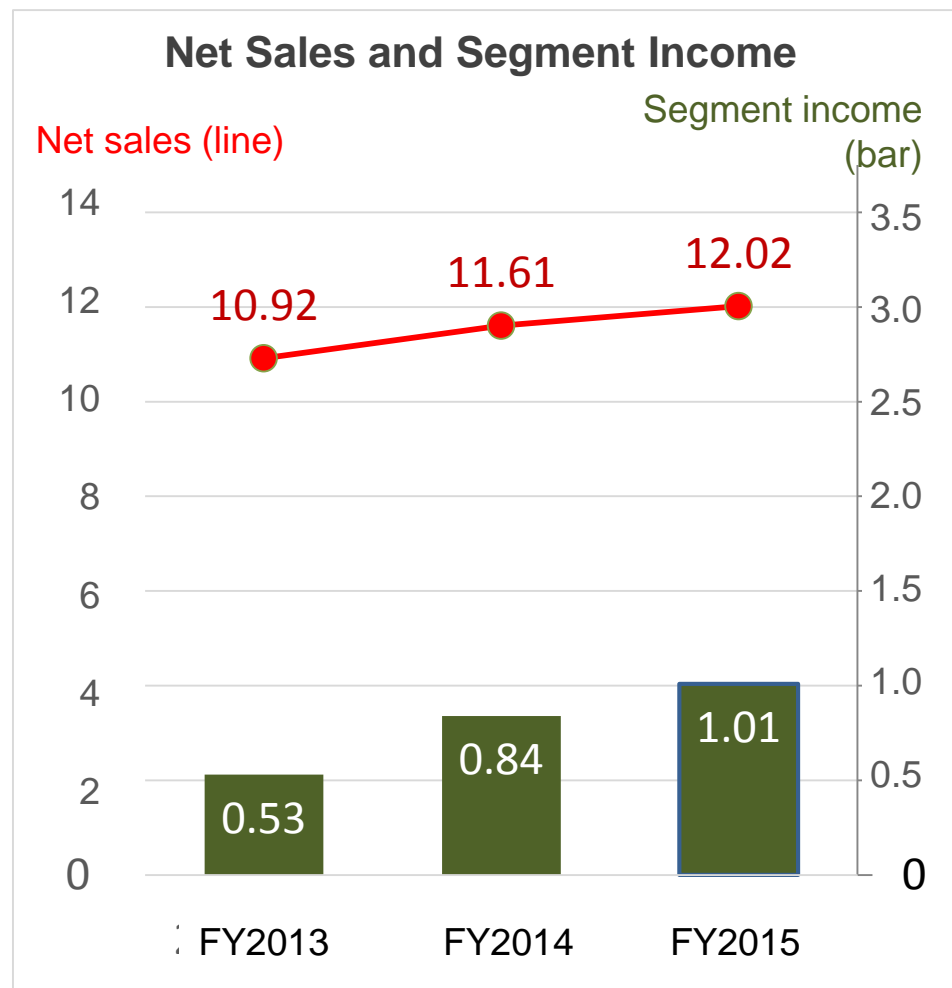
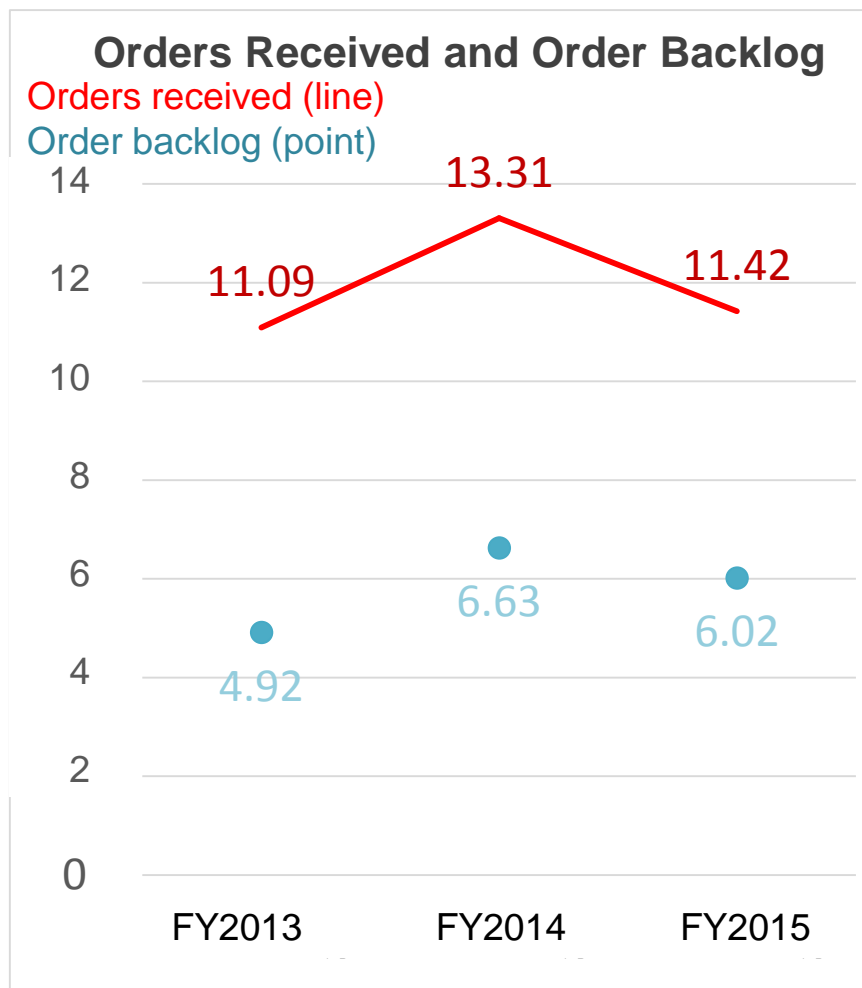
Net sales (line)
Segment income (bar)



1-5. Segment Performance: Industrial Systems

Toyo Denki is working toward stabilizing earnings by restructuring the production system amidst a challenging environment for winning orders.

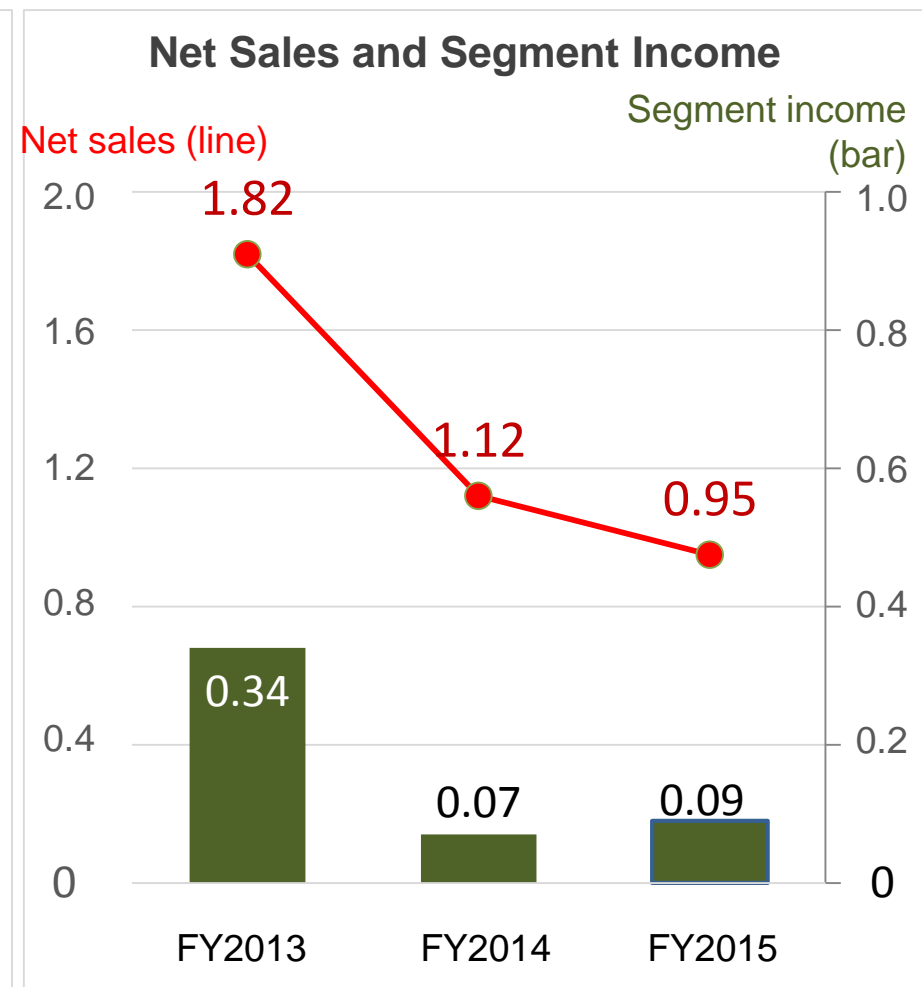
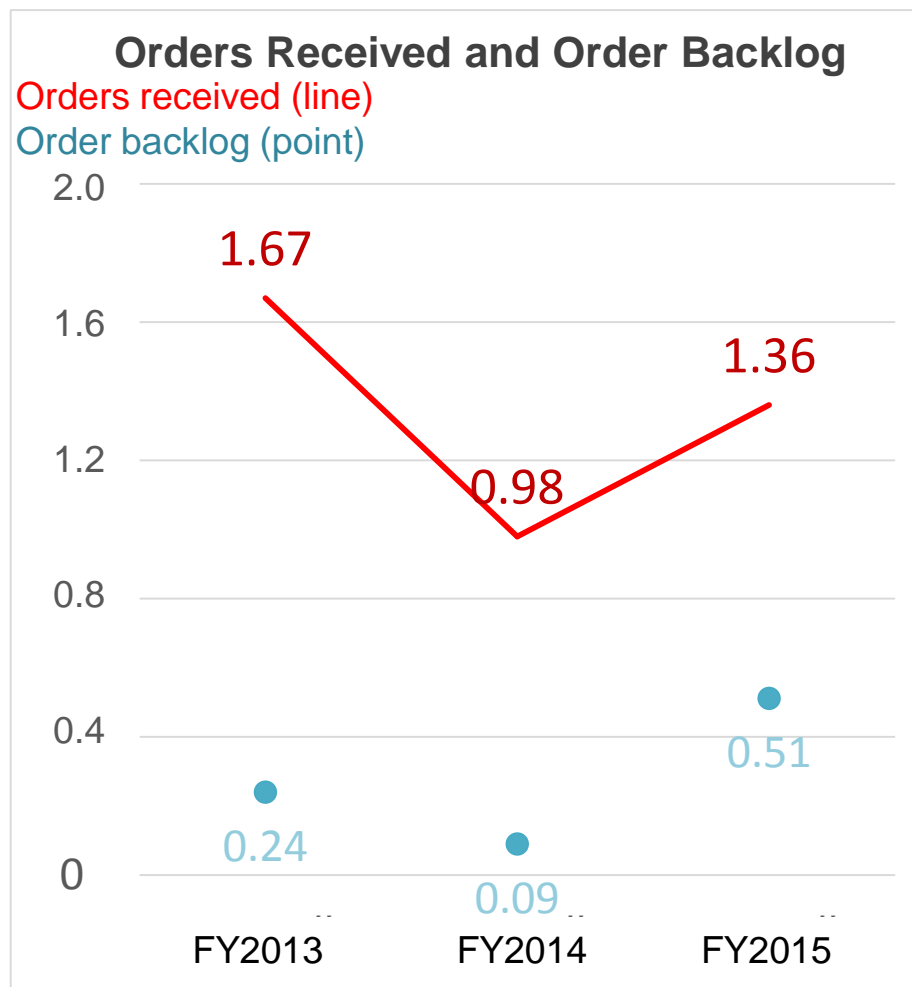
(Billions of yen)



1-6. Segment Performance: Information Equipment Systems

Orders received improved over last year. Profit rebounded after a decline in the previous year.

(Billions of yen)



1-7. Consolidated Financial Position

(Billions of yen)

	May 31, 2014	May 31, 2015	May 31, 2016	YoY Change
Total assets	44.8	53.0	50.2	-2.8
Current assets	23.6	25.6	25.5	-0.1
Fixed assets	21.2	27.4	24.7	-2.7
Total liabilities	25.4	28.1	26.6	-1.6
Of which, interest-bearing debt	8.9	9.4	8.3	-1.1
Net assets	19.4	24.9	23.7	-1.2
Equity ratio	43.2%	46.9%	47.1%	+0.2%

Assets

Fixed Assets: Decrease due to fall in market price of investment securities (-¥2.9 billion)

Net Assets

Increase in retained earnings (+¥0.6 billion) and decrease in accumulated other comprehensive income (-¥1.8 billion)

2. Outlook for Financial Results for Fiscal 2016

2-1. Consolidated Financial Forecast for Fiscal 2016

The forecast is ¥43 billion for net sales, ¥1.9 billion for operating income, and ¥1.8 billion for ordinary income.

- Target is ROE of 5% or greater
- Risk of foreign currency fluctuation is likely.

	FY2015 (Result)		FY2016 (Forecast)		(Billions of yen) YoY Change	
	1H	Full Year	1H	Full Year	1H	Full Year
Net sales	18.74	39.74	20.00	43.00	+1.26	+3.26
Operating income (%)	0.61 (3.2%)	1.63 (4.1%)	0.50 (2.5%)	1.90 (4.4%)	-0.11	+0.27
Ordinary income	0.70	1.49	0.40	1.80	-0.30	+0.31
Net income	0.47	0.88	0.27	1.20	-0.20	+0.32
Net income per share (Yen)	9.82	18.47	5.60	24.90	-4.2	+6.4
Dividend forecast		6 yen/share		6 yen/share		
ROE		3.7%		5%		
Orders received	19.13	39.89	22.60	44.00	+3.47	+4.11
Year-end order backlog		31.1				

2-2. Segment Outlook

Expecting an increase in scale of Transportation Systems and improvement in profit ratio for Industrial Systems

(Billions of yen)

		Transportation Systems	Industrial Systems	Information Equipment Systems	Adjustment	Total
FY2016 (Full Year Forecast)	Net sales	29.00	12.50	1.50	0.00	43.00
	Segment income/ Operating income	2.89	1.25	0.25	-2.49	1.90
	Orders received	30.00	12.50	1.50	0.00	44.00
YoY Change	Net sales	+2.22	+0.48	+0.54	+0.00	+3.24
	Segment income/ Operating income	-0.07	+0.23	+0.16	-0.06	+0.26
	Orders received	+2.91	+1.08	+0.13	-0.01	+4.11

3. Medium-Term Management Plan “Next 100: Beyond the 100-Year Mark (Ver. 2)”

3-1. Medium-Term Management Plan—“Next 100”

“Next 100: Beyond the 100-Year Mark (Ver. 2)”

■ Business Environment

- Transportation Systems: China and ASEAN nations continue high investment in railway infrastructure. Japan continues to see an increase in domestic train demand due to upcoming Olympics and increasing inbound tourism.
- Industrial Systems: Due to the uncertainty in the future of overseas economics, further decrease in capital investment demand is expected.

■ Group Actions

- Transportation Systems: Working on the reorganization of Yokohama Works, and initiatives such as strengthening production capacity and transforming productivity.
- Industrial Systems: Working on improving production efficiency and expanding product portfolio by consolidating manufacturing functions at the new plant in Ryuo.

→ Two manufacturing bases: Yokohama Works & new Ryuo factory

May 2018 has been reset as the final year of the plan, with a focus on the following two points of the basic policy of Next 100:

- Build a stable business earnings structure
- Restructure production system

3-2. Medium-Term Management Plan—"Next 100"

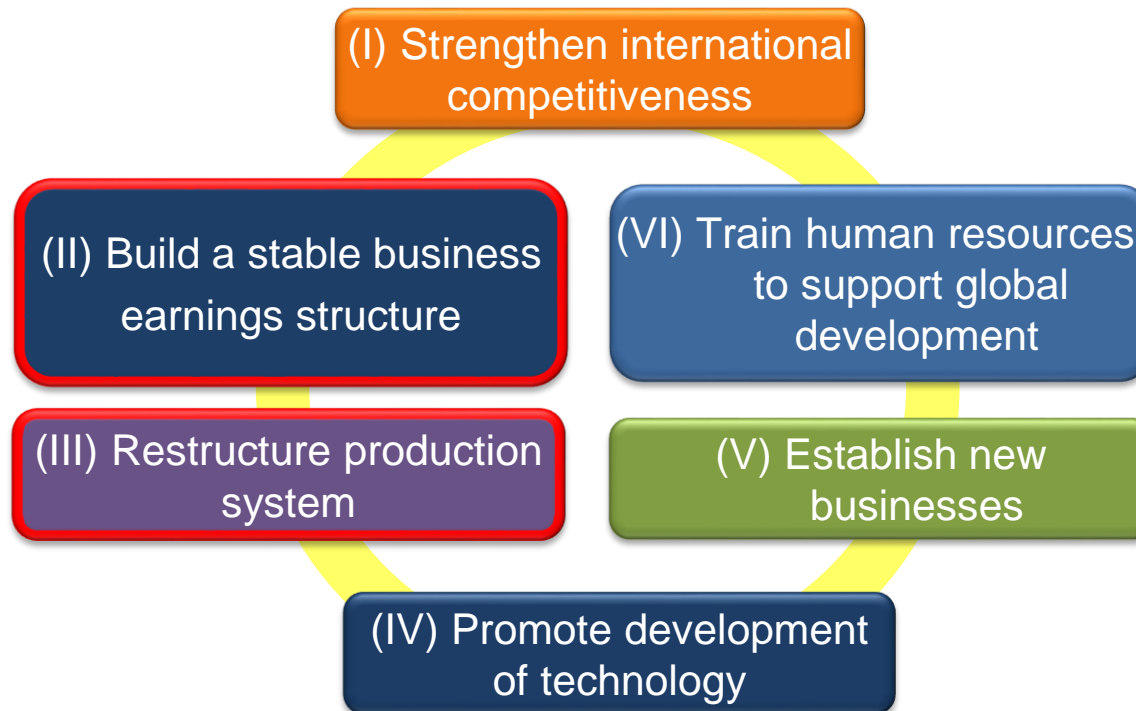
Resetting the final target and ending year to restart the "Next 100" midterm management plan as Version 2

■ Period Covered (Ver.2)

June 2016 to **May 2018**

(shifting the timing to our corporate centennial anniversary)

■ Fundamental Policy



The fundamental policy of the Next 100 medium-term management plan started in June 2014 will be kept in place, with a deeper emphasis on the following two points:

- Build a stable business earnings structure
- Restructure production system

3-3. Medium-Term Management Plan—"Next 100"

Aiming to strengthen the management foundation as a 50 billion yen company under the slogan:
"Beyond the 100-Year Mark"

■ Performance Targets

(Billions of yen)

	NEXT100			
	Ver.1		Ver.2	
	FY2014 (1st year result)	FY2015 (Result)	FY2016 (Forecast)	FY2017 (Final year target)
Net sales	39.61	39.74	43.00	46.00
Operating income <i>(Operating income margin)</i>	1.59 <i>(4.0%)</i>	1.63 <i>(4.1%)</i>	1.90 <i>(4.3%)</i>	2.40 <i>(5.2%)</i>
Ordinary income	2.05	1.49	1.80	2.50
Net income	1.10	0.88	1.20	1.70
Overseas net sales <i>(Ratio of overseas sales to net sales)</i>	15.06 <i>(38.0%)</i>	12.65 <i>(32.0%)</i>		23.00 <i>(50%)</i>

3-4. (I) Strengthening International Competitiveness (Transportation Systems)

International Railway Projects

1. Orders to be received for upgrade of electrical equipment for electric towing locomotives for Panama Canal (about 100 train cars in volume)
 - Upgrade completion scheduled for 2019
2. Order for electrical equipment for expansion to Chengdu Metro Line 1 in China
 - 6 cars x 23 forms (138 cars)
 - Scheduled for delivery in Spring 2017



Electric towing locomotives for Panama Canal

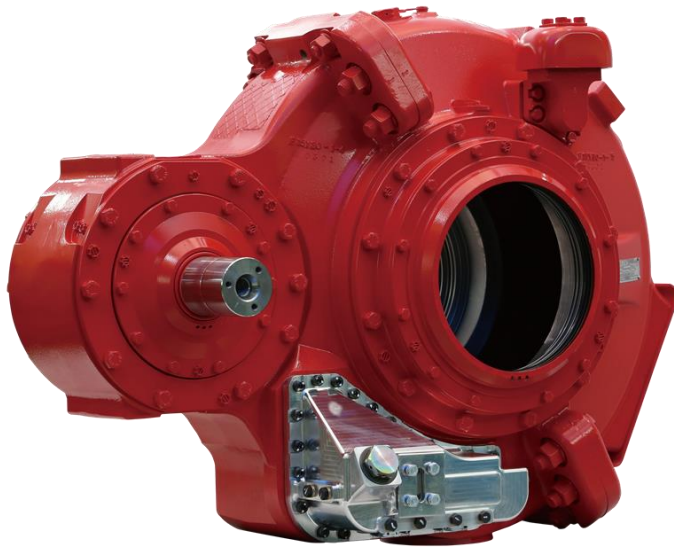


Chengdu Metro Line 1

3-5. (I) Strengthening International Competitiveness (Transportation Systems)

Commercialization of driving gear unit and pantographs incorporating Japanese engineering in European standard components

1. Development of driving gear units for high speed trains for European-specification trains used in Chinese railways
2. Prepare for increase in volume of standard China high speed trains
3. Introduction of our pantographs to the Beijing Subway
4. Order for our pantographs for Chengdu LRV



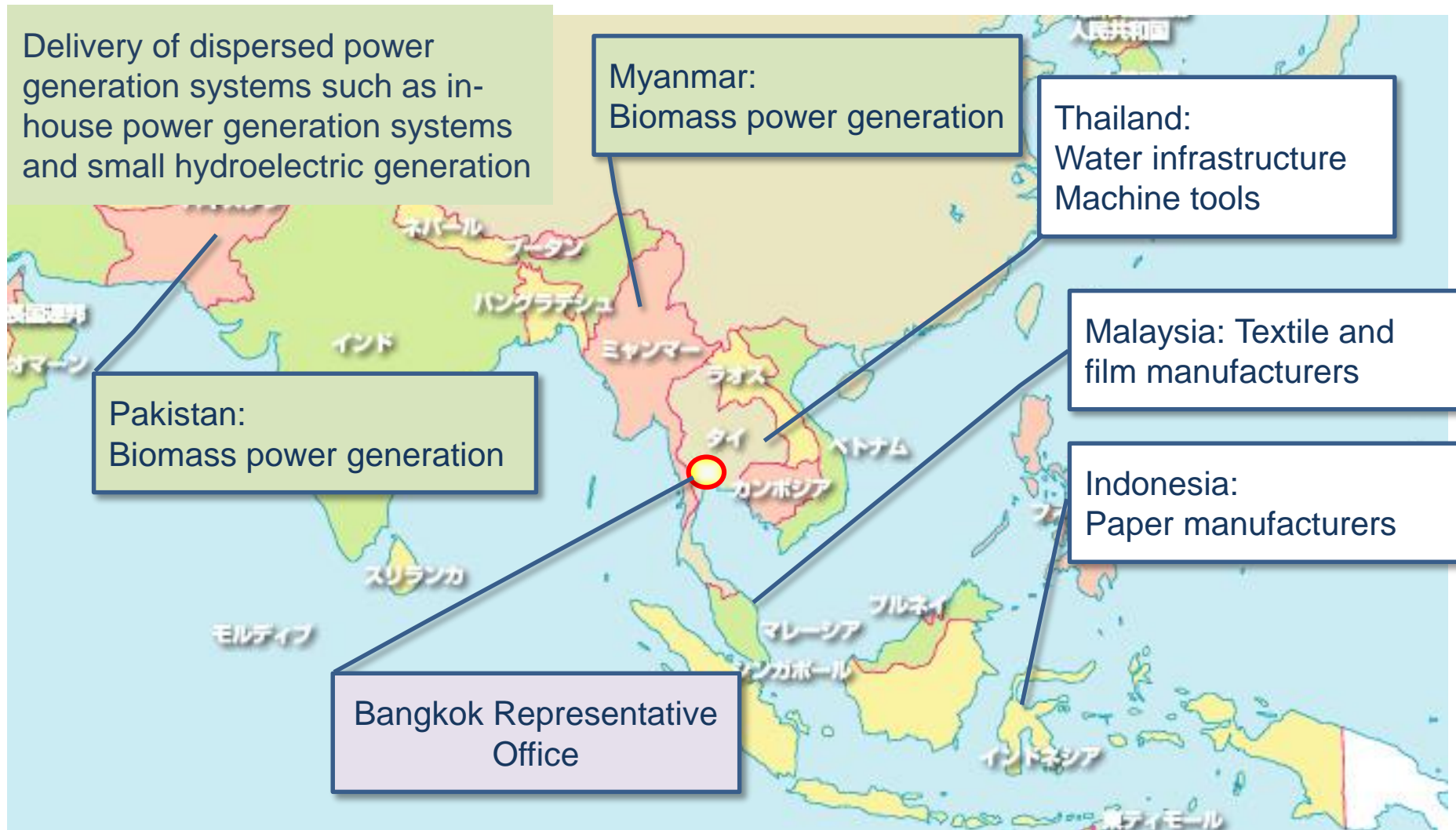
Driving gear unit (European specification)



Pantographs for Beijing Subway

3-6. (I) Strengthening International Competitiveness (Industrial Systems)

Proposing industrial systems in Southeast Asia with power savings as the cornerstone



3-7. (II) Building a Stable Business Earnings Structure (Industrial Systems)

Small hydroelectric generation

- Bountiful experience with power companies in Japan
- Higher efficiency by combining with permanent magnet synchronous motors
- Lineup with a wide range of power generation capacity from 10 to 750 kW



Nikaho City, Akita Prefecture



City office of Tsuru City, Yamanashi Prefecture



Permanent magnet synchronous motors

3-8. Business Development in Industrial Systems

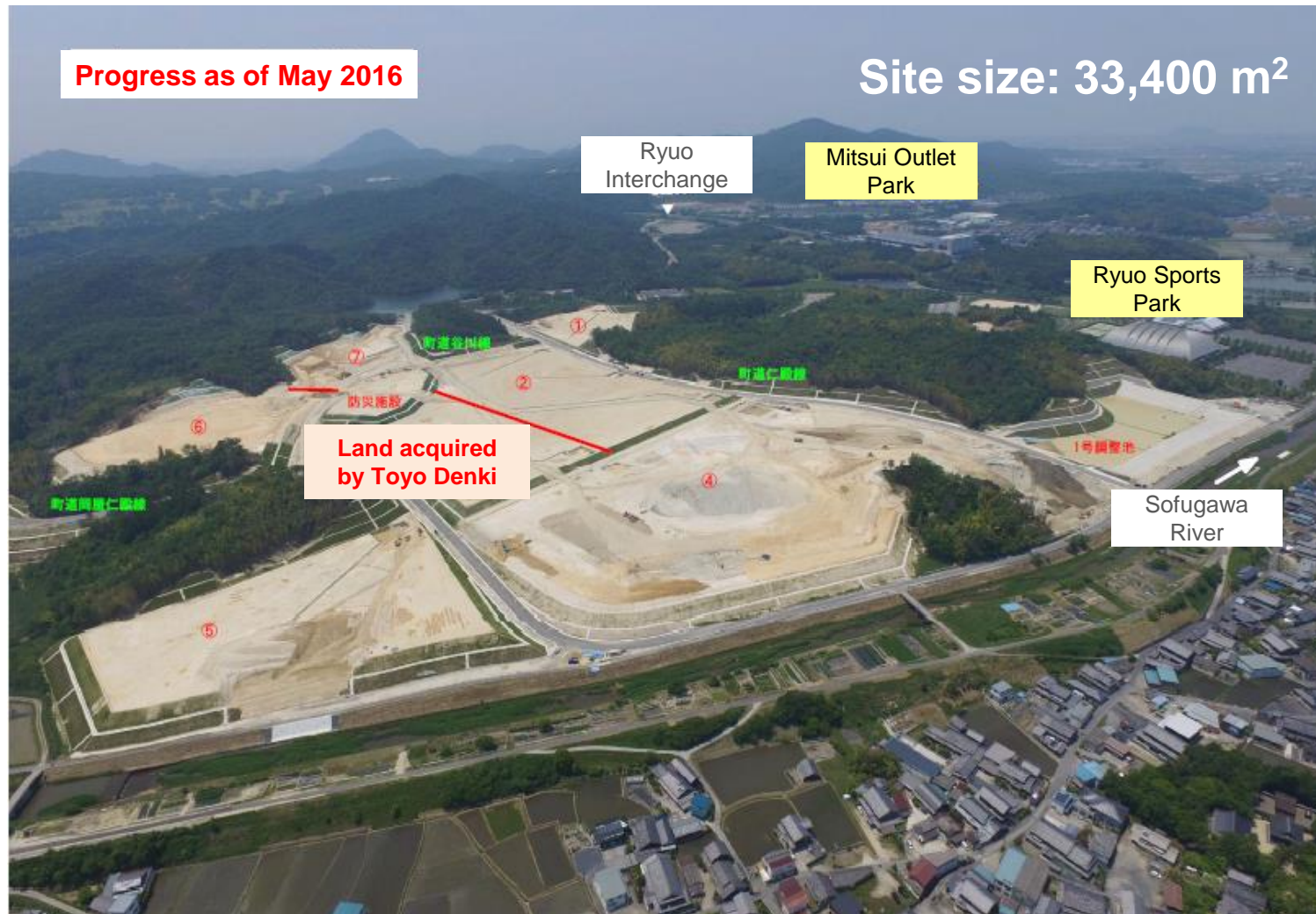
Development to transform our current product lineup to meet our customer needs

1. Use of inverters (VF66 series) to power DC motors to standardize investment for equipment upgrades
2. Creation of series of power generators (5 to 20 MW) to meet the optimal market range for biomass and waste incineration power generation
3. Expand ED motor capacity zone
4. Deployment of new VF series inverter to comply with 690 VAC input
5. Creation of series of high-speed, low-inertia motors for automobile testing systems
6. Creation of series of distribution panels that meet customer needs

→ Realization of these through consolidation of our industrial plants

3-9. (III) Restructure Production System

Commencement of basic design for construction of new Ryuo plant.
Construction begins March 2017.



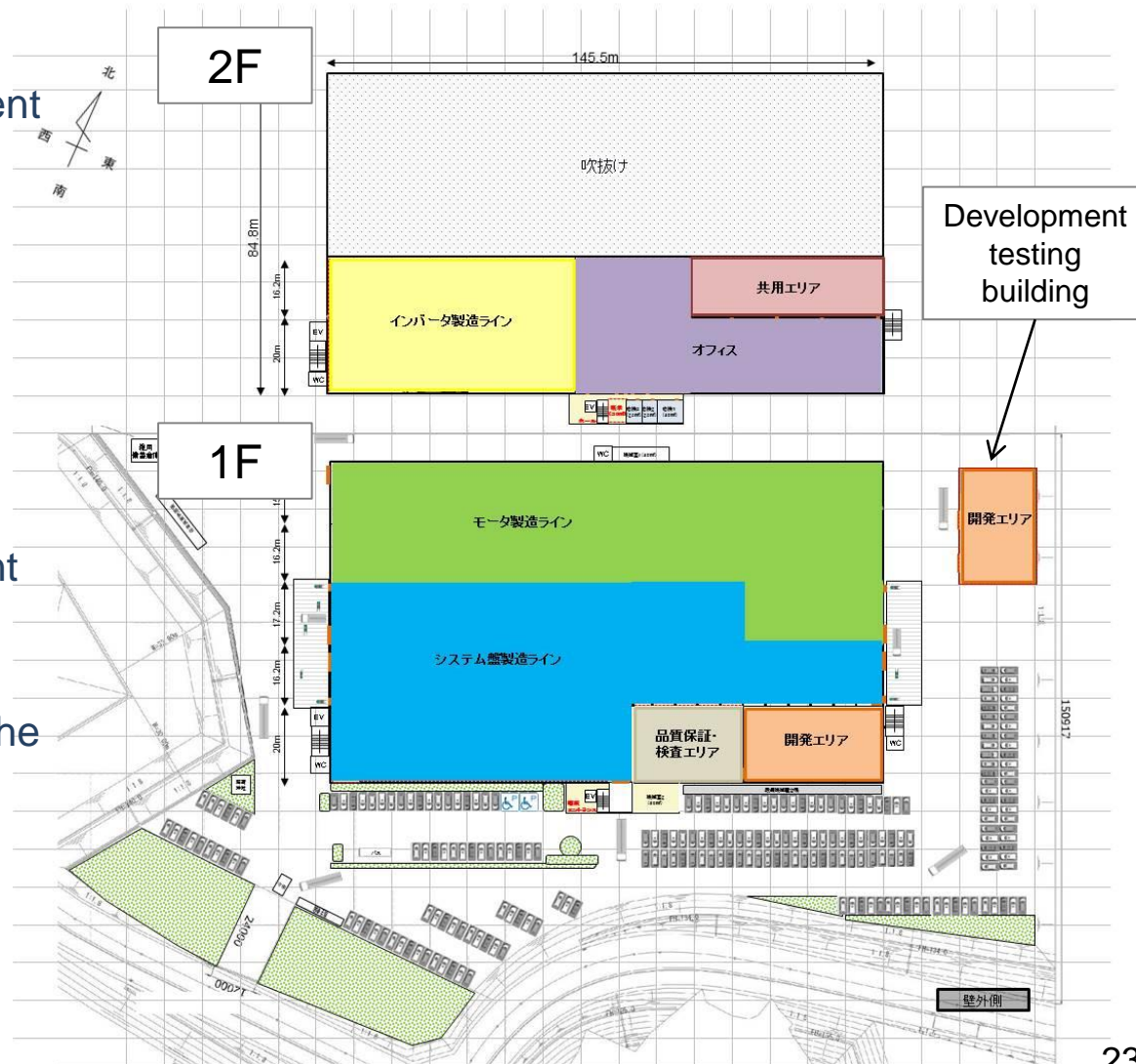
3-10. (III) Restructure Production System

Consolidation of our industrial plants for one-stop development, design, manufacturing and quality assurance

Our new factory will be able to support everything from development to quality assurance for a greater product lineup.

Factory floor space will be around 20,000 m² for 30% greater production capacity.

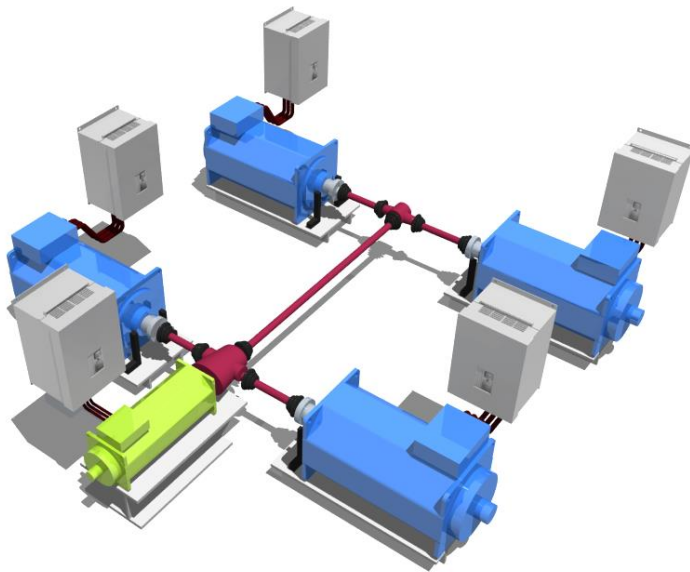
1. Lab for automobile development testing systems to speed up development
2. Improved efficiency by having the lines for motors, inverters and system boards all in the same factory



3-11. (III) Restructure Production System

Production capacity increase with the new Ryuo plant

1. New Ryuo plant in Shiga Prefecture for improved production ratio of high value added products
2. Improved efficiency of new product development by adding a development testing building onsite for automobile testing systems
3. Preparation to expand capacity of motors and inverters
4. Preparation for regular use generator testing environment



Lineup expansion of
automobile testing systems



In-house production of
controller boards

3-12. (III) Restructure Production System

Improving production capacity and efficiency of Yokohama Works

Yokohama Works will focus on becoming a transportation factory to **improve production capacity by 30%**.

Main products to be focused on for production capacity improvements



VVVF Inverter
Auxiliary power supply



High-speed circuit breakers



Driving gear units



Train information systems

3-13. Business Development in Information Equipment Systems - NEXT100

Order received for 50 commuter pass vending machines for the Transportation Bureau of the City of Yokohama (delivery end of March 2017)

Composite ticket vending machine that meets security authorization standards, compatible with future upgrade demands



- Compatible with a variety of tickets such as IC cards, magnetic PET tickets, large magnetic tickets cut from rolled paper, and Edmondson old style tickets.
- About 20% less power consumed when in standby mode compared to conventional units.

3-14. Development in New Business

Production of electrical components for Hitachi Construction Machinery's ZH200 hybrid shovel

Hybrid system that achieves both high fuel efficiency and environment performance



Products we have delivered:

- | | |
|-------------------------|----------------------------------|
| 1. Electric swing motor | 2. Power control unit (PCU) |
| 3. Capacitor unit | 4. Power generation assist motor |

Thank you for your interest.

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

Inquiries

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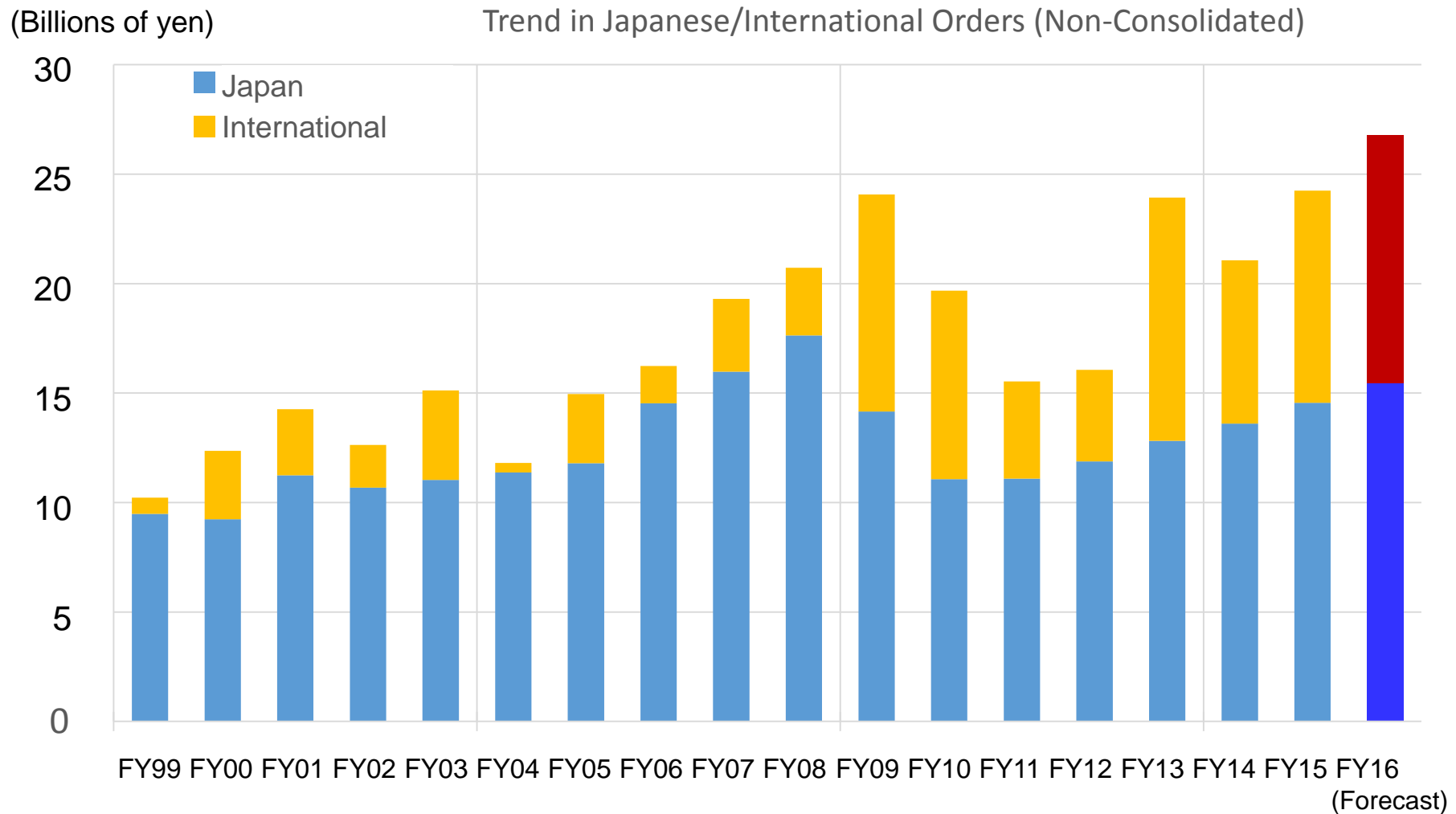


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- Statements concerning financial results forecasts are based on data available as of the date of publication of this material and assumptions concerning the elements of uncertainty that will affect future business performance as of the date of publication 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.

Reference: **Transportation Systems** — Trend in Orders Received

Rate of international orders is trending higher. Orders in Japan are also showing signs of increase.



Reference: Contribution of Group Companies (Simple sum)

Group companies in Japan are robust. Chinese equity method affiliates are growing.

