

January 12, 2017

## Summary of Consolidated Business Results for the First Half of Fiscal 2016

For the fiscal year ending May 31, 2017

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Scheduled date of submission of quarterly financial report: January 13, 2017  
 Scheduled date of commencement of dividend payments: —  
 Preparation of quarterly financial report supplemental explanatory materials: Yes  
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

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

### 1. Consolidated Business Results for the First Half of Fiscal 2016

(June 1, 2016 to November 30, 2016)

#### (1) Consolidated Operating Results

(In millions of yen, except where noted; percentage figures show year-on-year increase or decrease.)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Owners of the Parent	
1H Fiscal 2016	18,147	(3.2)%	179	(70.7)%	334	(52.8)%	239	(49.5)%
1H Fiscal 2015	18,749	(1.7)%	611	4.7%	709	(18.8)%	473	(8.2)%

(Note) Comprehensive income: 1H Fiscal 2016: 182 million yen [(11.5)%]  
 1H Fiscal 2015: 206 million yen [(92.7)%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
1H Fiscal 2016	25.13	—
1H Fiscal 2015	49.10	—

\* The Company conducted a share consolidation of its common shares at the ratio of 5 shares to 1 share effective December 1, 2016. Net income per share is calculated on the assumption that the share consolidation was conducted at the beginning of the previous fiscal year.

#### (2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of November 30, 2016	51,169	23,269	45.5
As of May 31, 2016	50,233	23,676	47.1

(Reference) Shareholders' equity: As of November 30, 2016: 23,269 million yen  
 As of May 31, 2016: 23,676 million yen

### 2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
Fiscal 2015	—	0.00	—	6.00	6.00
Fiscal 2016	—	0.00	—	—	—
Fiscal 2016 (Forecast)	—	—	—	30.00	30.00

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

\* The Company conducted a share consolidation of its common shares at the ratio of 5 shares to 1 share effective December 1, 2016. Dividend information for fiscal 2015 is the actual amount paid before the share consolidation. For further details, please refer to “Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items 2.”

### 3. Consolidated Performance Forecast for Fiscal 2016 (June 1, 2016 to May 31, 2017)

(In millions of yen, except where noted; 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 (Yen)
Full year	41,000	3.2%	1,600	(2.4)%	1,700	13.9%	1,100	23.6%	115.62

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

\* Net income per share reflects the effect of share consolidation. For further details, please refer to “Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items 2.”

#### Notes:

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statement: 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):  
November 30, 2016: 9,735,000 shares      May 31, 2016: 9,735,000 shares
  - (b) Number of shares of treasury stock as of the end of the period:  
November 30, 2016: 289,801 shares      May 31, 2016: 98,695 shares
  - (c) Average number of shares for the period (fiscal year-to-date):  
1H Fiscal 2016: 9,513,764 shares      1H Fiscal 2015: 9,637,484 shares

\* The Company conducted a share consolidation of its common shares at the ratio of 5 shares to 1 share effective December 1, 2016. Number of shares outstanding (common stock) is calculated on the assumption that the share consolidation was conducted at the beginning of the previous fiscal year.

#### Statements Regarding the Implementation Status of Quarterly Review Procedures

This quarterly financial report is not subject to quarterly review procedures as prescribed under the Financial Instruments and Exchange Act. As of the date of quarterly financial report disclosure, quarterly review procedures for the quarterly financial statements pursuant to the aforementioned Act were not yet completed.

#### Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items

1. The forecasts of business results presented in this document are based on management’s assumptions and beliefs in light of currently available information. Toyo Denki Seizo K.K. (hereinafter 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 Accompanying Materials on page 3 for details relating to operating results forecasts (available in Japanese only).

2. The Company conducted a share consolidation of its common shares at the ratio of 5 shares to 1 share effective December 1, 2016. If the share consolidation were not taken into account, the dividend forecast and consolidated performance forecast for fiscal 2016 would be as follows:

- (1) Dividend forecast for fiscal 2016

Year-end: 6 yen

- (2) Consolidated performance forecast for fiscal 2016

Net income per share

Full year: 23.12 yen

# 1. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2016	End of the First Half of Fiscal 2016 (November 30, 2016)
Assets		
Current assets		
Cash and cash equivalents	2,401	2,114
Trade notes and accounts receivable	13,790	14,056
Electronically recorded monetary claims - operating	965	1,130
Products and finished goods	1,490	1,819
Work in process	3,172	3,479
Raw materials and stored goods	2,657	2,533
Advances	26	50
Deferred tax assets	517	699
Other accounts receivable	273	22
Other	229	349
Allowance for doubtful accounts	(2)	(2)
Total current assets	25,520	26,252
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,171	7,287
Accumulated depreciation	(4,536)	(4,601)
Buildings and structures, net	2,634	2,686
Machinery and equipment	6,728	6,903
Accumulated depreciation	(6,013)	(6,112)
Machinery and equipment, net	715	791
Land	289	289
Construction in progress	269	256
Other	3,281	3,343
Accumulated depreciation	(2,828)	(2,863)
Other, net	452	479
Total property, plant and equipment	4,361	4,503
Intangible assets		
Software	199	201
Software in progress	333	458
Other	11	11
Total intangible assets	544	672
Investments and other assets		
Investment securities	17,396	17,521
Deferred tax assets	55	57
Other	2,368	2,174
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	19,807	19,741
Total fixed assets	24,712	24,916
Total assets	50,233	51,169

(Millions of yen)

	As of May 31, 2016	End of the First Half of Fiscal 2016 (November 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Trade notes and accounts payable	3,742	3,466
Electronically recorded obligations - operating	5,277	4,663
Short-term debt	1,017	2,446
Income taxes payable	253	354
Consumption and other taxes payable	87	81
Accrued expenses	1,250	1,190
Advances received	82	436
Deposits received	221	220
Reserve for directors' bonuses	37	22
Reserve for employees' bonuses	928	1,052
Reserve for order losses	294	372
Other	389	575
Total current liabilities	13,583	14,883
Long-term liabilities		
Long-term debt	7,288	7,187
Long-term payables	157	254
Net defined benefit liability	3,852	3,893
Deferred tax liabilities	1,636	1,644
Other	37	37
Total long-term liabilities	12,972	13,016
Total liabilities	26,556	27,900
<b>Net assets</b>		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	9,298	9,248
Treasury stock	(175)	(476)
Total shareholders' equity	17,299	16,948
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	6,469	6,560
Foreign currency translation adjustments	260	86
Remeasurements of defined benefit plans	(351)	(326)
Total accumulated other comprehensive income	6,377	6,321
Total net assets	23,676	23,269
Total liabilities and net assets	50,233	51,169

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income for the First Half of Fiscal 2016)

(Millions of yen)

	1H FY2015 (June 1, 2015 to November 30, 2015)	1H FY2016 (June 1, 2016 to November 30, 2016)
Net sales	18,749	18,147
Cost of sales	14,388	14,078
Gross profit	4,361	4,069
Selling, general and administrative expenses	3,749	3,890
Operating income	611	179
Non-operating income		
Interest income	0	0
Dividend income	169	164
Equity in profit of unconsolidated subsidiaries and affiliates	28	11
Foreign exchange gains	-	9
Miscellaneous income	58	34
Total non-operating income	255	220
Non-operating expenses		
Interest expense	61	55
Loss on disposal of fixed assets	0	2
Loss on foreign currency exchange	81	-
Miscellaneous loss	14	6
Total non-operating expenses	157	64
Ordinary income	709	334
Extraordinary loss		
Loss on sales of fixed assets	-	23
Loss on sales of investment securities	2	-
Total extraordinary losses	2	23
Income before income taxes	707	311
Income taxes:		
Current	285	286
Deferred	(51)	(214)
Total income taxes	234	72
Net income	473	239
Net income attributable to owners of the parent	473	239

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	1H FY2015 (June 1, 2015 to November 30, 2015)	1H FY2016 (June 1, 2016 to November 30, 2016)
Net income	473	239
Other comprehensive income		
Unrealized holding gain (loss) on available-for-sale securities	(319)	91
Foreign currency translation adjustments	3	(10)
Remeasurements of defined benefit plans	23	25
Share of other comprehensive income of affiliates to which the equity method is applied	26	(162)
Total other comprehensive income	(267)	(56)
Comprehensive income	206	182
Comprehensive income attributable to:		
Owners of the parent	206	182
Non-controlling interests	-	-

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2015 (June 1, 2015 to November 30, 2015)	1H FY2016 (June 1, 2016 to November 30, 2016)
Cash flows from operating activities		
Income before income taxes	707	311
Depreciation and amortization	398	371
Increase (decrease) in allowance for doubtful accounts	(37)	(0)
Increase (decrease) in reserve for employees' bonuses	32	124
Increase (decrease) in net defined benefit liability	11	40
Increase (decrease) in reserve for order losses	(27)	78
Interest and dividends income	(169)	(164)
Interest expenses	61	55
Loss (gain) on sales of property, plant and equipment	-	23
Decrease (increase) in notes and accounts receivable-trade	(1,208)	(428)
Decrease (increase) in inventories	(1,080)	(521)
Increase (decrease) in trade notes and accounts payable	654	(885)
Increase (decrease) in advances received	(169)	353
Increase (decrease) in accrued expenses	144	(51)
Other	(419)	29
Subtotal	(1,102)	(663)
Interest and dividends income received	169	172
Interest expenses paid	(64)	(56)
(Payments for) refund of corporate and other taxes	(709)	14
Net cash provided by operating activities	(1,707)	(533)
Cash flows from investing activities		
Purchases of property, plant and equipment	(170)	(366)
Purchases of intangible assets	(238)	(133)
Purchases of investment securities	(6)	(6)
Other	(98)	26
Net cash used in investing activities	(514)	(480)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable, net	1,752	1,500
Repayment of long-term debt	(399)	(181)
Proceeds from sales of treasury stock	(2)	(300)
Cash dividends paid	(287)	(289)
Other	(0)	(0)
Cash provided by (used in) financing activities	1,062	728
Effect of exchange rate change on cash and cash equivalents	(0)	(1)
Increase (decrease) in cash and cash equivalents	(1,159)	(287)
Balance of cash and cash equivalents at the beginning of the period	3,570	2,401
Balance of cash and cash equivalents at the end of the period	2,411	2,114



(Segment Information)

First Half of Fiscal 2015 (June 1, 2015 to November 30, 2015)

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

(Millions of yen)

	Reporting Segment			Other <sup>1</sup>	Total	Adjustment Amount <sup>2</sup>	Amount Recorded on Quarterly Consolidated Statements of Income <sup>3</sup>
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	12,735	5,683	328	2	18,749	—	18,749
Inter-segment sales and transfers	2	2	—	288	293	(293)	—
Total	12,737	5,686	328	291	19,043	(293)	18,749
Segment profit (loss)	1,335	506	(21)	8	1,828	(1,216)	611

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 1,216 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 0 million yen and corporate expenditure (a loss of 1,216 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 2016 (June 1, 2016 to November 30, 2016)  
Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other <sup>1</sup>	Total	Adjustment Amount <sup>2</sup>	Amount Recorded on Quarterly Consolidated Statements of Income <sup>3</sup>
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	12,765	4,909	468	2	18,147	—	18,147
Inter-segment sales and transfers	6	2	—	333	341	(341)	—
Total	12,772	4,912	468	336	18,489	(341)	18,147
Segment profit	1,312	153	47	25	1,538	(1,359)	179

Notes:

1. The “Other” segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit adjustment amount is a loss of 1,359 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 0 million yen and corporate expenditure (a loss of 1,359 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 has been adjusted with operating income recorded under the quarterly consolidated statements of income.

## 2. Supporting Materials for the Financial Results

### (1) The Status of Production, Orders, and Sales

#### (a) Production Status

Business segment	1H FY2015 (June 1, 2015 to November 30, 2015)		1H FY2016 (June 1, 2016 to November 30, 2016)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	13,151	69.2	12,901	73.4
Industrial Systems	5,565	29.3	4,434	25.2
Information Equipment Systems	294	1.5	250	1.4
Other	—	—	—	—
Total	19,010	100.0	17,585	100.0

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.

#### (b) Status of Orders Received

Business segment	1H FY2015 (June 1, 2015 to November 30, 2015)		1H FY2016 (June 1, 2016 to November 30, 2016)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	12,862	24,602	13,686	25,080
Industrial Systems	5,866	6,817	5,923	7,042
Information Equipment Systems	401	171	1,309	1,353
Other	2	—	2	—
Total	19,133	31,590	20,922	33,477

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.

#### (c) Sales Status

Business segment	1H FY2015 (June 1, 2015 to November 30, 2015)		1H FY2016 (June 1, 2016 to November 30, 2016)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	12,735	67.9	12,765	70.3
Industrial Systems	5,683	30.3	4,909	27.1
Information Equipment Systems	328	1.8	468	2.6
Other	2	0.0	2	0.0
Total	18,749	100.0	18,147	100.0

Notes:

1. Amounts are based on sales prices.
2. Amounts are exclusive of consumption and other taxes.