

October 13, 2017

## Summary of Consolidated Business Results for the First Quarter of Fiscal 2017

For the fiscal year ending May 31, 2018

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Scheduled date of submission of quarterly financial report: October 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 Quarter of Fiscal 2017

(June 1, 2017 to August 31, 2017)

#### (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	
1Q Fiscal 2017	6,958	(10.4)%	(826)	—	(701)	—	(400)	—
1Q Fiscal 2016	7,767	(12.1)%	(533)	—	(659)	—	(452)	—

(Note) Comprehensive income: 1Q Fiscal 2017: (286) million yen [—%]  
 1Q Fiscal 2016: (1,641) million yen [—%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
1Q Fiscal 2017	(42.44)	—
1Q Fiscal 2016	(47.25)	—

\* 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 August 31, 2017	53,420	24,033	45.0
As of May 31, 2017	54,927	24,603	44.8

(Reference) Shareholders' equity: As of August 31, 2017: 24,033 million yen  
 As of May 31, 2017: 24,603 million yen

### 2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
Fiscal 2016	—	0.00	—	30.00	30.00
Fiscal 2017	—	—	—	—	—
Fiscal 2017 (Forecast)	—	0.00	—	30.00	30.00

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

### 3. Consolidated Performance Forecast for Fiscal 2017 (June 1, 2017 to May 31, 2018)

(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)
First half	19,500	7.5%	200	11.6%	300	(10.4)%	300	25.5%	31.65
Full year	43,000	5.7%	1,700	8.2%	1,900	14.2%	1,500	27.7%	158.24

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

#### 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

Notes on Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statement

- (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: No
  - (b) Any changes other than (a) above: No
  - (c) Changes in accounting estimates: No
  - (d) Restatement: No

Notes on changes in accounting policies

- (4) Shares outstanding (common stock)
  - (a) Number of shares outstanding as of the end of the period (including treasury stock):  
August 31, 2017: 9,735,000 shares      May 31, 2017: 9,735,000 shares
  - (b) Number of shares of treasury stock as of the end of the period:  
August 31, 2017: 291,081 shares      May 31, 2017: 290,569 shares
  - (c) Average number of shares for the period (fiscal year-to-date):  
1Q Fiscal 2017: 9,444,230 shares      1Q Fiscal 2016: 9,580,329 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.

\* Quarterly financial reports are not subject to quarterly review procedures.

\* Disclaimer concerning the Proper Use of Business Results Forecasts and Other Relevant Specific Items  
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 2 for details relating to operating results forecasts.

# 1. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2017	End of the First Quarter of Fiscal 2017 (August 31, 2017)
Assets		
Current assets		
Cash and cash equivalents	2,091	1,362
Trade notes and accounts receivable	15,830	11,859
Electronically recorded monetary claims - operating	531	883
Products and finished goods	870	1,492
Work in process	3,373	4,140
Raw materials and stored goods	2,234	2,845
Advances	26	46
Deferred tax assets	576	753
Other accounts receivable	165	151
Other	99	359
Allowance for doubtful accounts	(1)	(1)
Total current assets	25,799	23,892
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,415	7,454
Accumulated depreciation	(4,710)	(4,764)
Buildings and structures, net	2,704	2,690
Machinery and equipment	7,030	7,246
Accumulated depreciation	(6,239)	(6,310)
Machinery and equipment, net	791	936
Land	1,345	1,345
Construction in progress	2,336	2,471
Other	3,363	3,503
Accumulated depreciation	(2,920)	(2,973)
Other, net	443	530
Total property, plant and equipment	7,622	7,974
Intangible assets		
Software	163	957
Software in progress	906	9
Other	11	11
Total intangible assets	1,081	978
Investments and other assets		
Investment securities	18,154	18,370
Deferred tax assets	66	51
Other	2,215	2,165
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	20,424	20,575
Total fixed assets	29,128	29,528
Total assets	54,927	53,420

(Millions of yen)

	As of May 31, 2017	End of the First Quarter of Fiscal 2017 (August 31, 2017)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade notes and accounts payable	3,346	3,472
Electronically recorded obligations - operating	5,489	5,240
Short-term debt	4,969	4,885
Income taxes payable	437	55
Consumption and other taxes payable	134	51
Accrued expenses	1,069	956
Advances received	119	253
Deposits received	235	387
Reserve for directors' bonuses	33	11
Reserve for employees' bonuses	952	516
Reserve for order losses	365	524
Other	389	277
<b>Total current liabilities</b>	<b>17,543</b>	<b>16,631</b>
<b>Long-term liabilities</b>		
Long-term debt	6,786	6,740
Long-term payables	157	38
Net defined benefit liability	3,913	3,947
Deferred tax liabilities	1,792	1,871
Other	131	160
<b>Total long-term liabilities</b>	<b>12,780</b>	<b>12,756</b>
<b>Total liabilities</b>	<b>30,324</b>	<b>29,387</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	10,170	9,485
Treasury stock	(477)	(478)
<b>Total shareholders' equity</b>	<b>17,868</b>	<b>17,183</b>
<b>Accumulated other comprehensive income</b>		
Unrealized holding gain on available-for-sale securities	6,879	7,016
Foreign currency translation adjustments	156	121
Remeasurements of defined benefit plans	(300)	(288)
<b>Total accumulated other comprehensive income</b>	<b>6,735</b>	<b>6,850</b>
<b>Total net assets</b>	<b>24,603</b>	<b>24,033</b>
<b>Total liabilities and net assets</b>	<b>54,927</b>	<b>53,420</b>

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income for the First Quarter of Fiscal 2017)

(Millions of yen)

	1Q FY2016 (June 1, 2016 to August 31, 2016)	1Q FY2017 (June 1, 2017 to August 31, 2017)
Net sales	7,767	6,958
Cost of sales	6,368	5,827
Gross profit	1,398	1,131
Selling, general and administrative expenses	1,932	1,957
Operating loss	(533)	(826)
Non-operating income		
Interest income	0	0
Dividend income	105	108
Equity in profit of unconsolidated subsidiaries and affiliates	5	—
Foreign exchange gains	—	23
Gain on reversal of environmental expenses	—	40
Miscellaneous income	7	11
Total non-operating income	118	184
Non-operating expenses		
Interest expense	27	35
Equity in loss of unconsolidated subsidiaries and affiliates	—	15
Loss on disposal of fixed assets	0	0
Loss on foreign currency exchange	214	—
Commission fee	—	5
Miscellaneous loss	1	4
Total non-operating expenses	244	60
Ordinary loss	(659)	(701)
Extraordinary income		
Gain on sales of investment securities	—	168
Other	—	2
Total extraordinary income	—	170
Extraordinary loss		
Loss on sales of fixed assets	23	—
Total extraordinary losses	23	—
Loss before income taxes	(683)	(530)
Income taxes:		
Current	27	21
Deferred	(257)	(151)
Total income taxes	(230)	(130)
Net loss	(452)	(400)
Net loss attributable to owners of the parent	(452)	(400)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	1Q FY2016 (June 1, 2016 to August 31, 2016)	1Q FY2017 (June 1, 2017 to August 31, 2017)
Net loss	(452)	(400)
Other comprehensive income		
Unrealized holding gain (loss) on available-for-sale securities	(1,143)	136
Foreign currency translation adjustments	4	3
Remeasurements of defined benefit plans	12	12
Share of other comprehensive income of affiliates to which the equity method is applied	(63)	(38)
Total other comprehensive income	(1,189)	114
Comprehensive income	(1,641)	(286)
Comprehensive income attributable to:		
Owners of the parent	(1,641)	(286)
Non-controlling interests	—	—

(3) Segment Information

The First Quarter of Fiscal 2016 (June 1, 2016 to August 31, 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	5,711	1,897	157	1	7,767	—	7,767
Inter-segment sales and transfers	1	0	—	161	163	(163)	—
Total	5,713	1,897	157	163	7,930	(163)	7,767
Segment profit (loss)	308	(148)	2	11	173	(707)	(533)

(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 707 million yen. This is comprised of an elimination of inter-segment sales and transfer amount at a loss of 0 million yen and corporate expenditure (a loss of 706 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.

The First Quarter of Fiscal 2017 (June 1, 2017 to August 31, 2017)  
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	4,929	1,805	222	1	6,958	—	6,958
Inter-segment sales and transfers	—	0	—	163	163	(163)	—
Total	4,929	1,805	222	164	7,121	(163)	6,958
Segment profit (loss)	160	(257)	(35)	4	(127)	(698)	(826)

(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 698 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 2 million yen and corporate expenditure (a loss of 700 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.



## 2. Supporting Materials for the Financial Results

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

#### (a) Production Status

Business segment	1Q FY2016 (June 1, 2016 to August 31, 2016)		1Q FY2017 (June 1, 2017 to August 31, 2017)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	5,932	73.7	5,446	72.0
Industrial Systems	2,009	25.0	2,077	27.5
Information Equipment Systems	102	1.3	35	0.5
Other	—	—	—	—
Total	8,044	100.0	7,560	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	1Q FY2016 (June 1, 2016 to August 31, 2016)		1Q FY2017 (June 1, 2017 to August 31, 2017)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	6,975	25,442	6,992	27,849
Industrial Systems	2,802	6,934	2,553	8,187
Information Equipment Systems	1,067	1,423	936	1,627
Other	1	—	1	—
Total	10,848	33,800	10,484	37,664

(Notes)

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

#### (c) Sales Status

Business segment	1Q FY2016 (June 1, 2016 to August 31, 2016)		1Q FY2017 (June 1, 2017 to August 31, 2017)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	5,711	73.5	4,929	70.8
Industrial Systems	1,897	24.4	1,805	25.9
Information Equipment Systems	157	2.0	222	3.2
Other	1	0.0	1	0.0
Total	7,767	100.0	6,958	100.0

(Notes)

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