



Summary of Consolidated Business Results for the First Half of Fiscal 2017

For the fiscal year ending May 31, 2018

January 11, 2018

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: January 12, 2018

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 2017 (June 1, 2017 to November 30, 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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1H Fiscal 2017	18,655	2.8	(232)	—	47	(85.8)	256	7.1
1H Fiscal 2016	18,147	(3.2)	179	(70.7)	334	(52.8)	239	(49.5)

(Note) Comprehensive income: 1H Fiscal 2017 : 1,374 million yen [653.3%]

1H Fiscal 2016 : 182 million yen [(11.5)%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
1H Fiscal 2017	27.12	—
1H Fiscal 2016	25.13	—

* The Company conducted a share consolidation of its common shares at a 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

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
	Millions of yen	Millions of yen	%
As of November 30, 2017	59,025	25,693	43.5
As of May 31, 2017	54,927	24,603	44.8

(Reference) Shareholders' equity: As of November 30, 2017 : 25,693 million yen

As of May 31, 2017 : 24,603 million yen

2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2016	—	0.00	—	30.00	30.00
Fiscal 2017	—	0.00	—	30.00	30.00
Fiscal 2017 (Forecast)	—	—	—	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)
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	41,000	0.8	1,300	(17.3)	1,450	(12.8)	1,500	27.7	158.24

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

Notes:

(1) Transfers of major subsidiaries during the period : No
(transfers of specified subsidiaries accompanied by changes in the scope of consolidation)

(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 : No

(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, 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:

November 30, 2017: 291,417 shares May 31, 2017: 290,569 shares

(c) Average number of shares for the period (fiscal year-to-date):

1H Fiscal 2017: 9,444,009 shares 1H Fiscal 2016: 9,513,764 shares

* The Company conducted a share consolidation of its common shares at a 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 the Accompanying Materials on page 3 for details relating to operating results forecasts (available in Japanese only).

*This report is an abridged translation of the Japanese summary of consolidated business results, which has been prepared in accordance with accounting principles generally accepted in Japan, for reference purpose only.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of May 31, 2017	End of the First Half of Fiscal 2017 (November 30, 2017)
Assets		
Current assets		
Cash and cash equivalents	2,091	1,170
Trade notes and accounts receivable	15,830	15,713
Electronically recorded monetary claims - operating	531	824
Products and finished goods	870	1,605
Work in process	3,373	4,424
Raw materials and stored goods	2,234	2,885
Advances	26	54
Deferred tax assets	576	552
Other accounts receivable	165	35
Other	99	576
Allowance for doubtful accounts	(1)	(1)
Total current assets	25,799	27,839
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,415	7,348
Accumulated depreciation	(4,710)	(4,715)
Buildings and structures, net	2,704	2,632
Machinery and equipment	7,030	7,292
Accumulated depreciation	(6,239)	(6,382)
Machinery and equipment, net	791	909
Land	1,345	1,282
Construction in progress	2,336	2,800
Other	3,363	3,514
Accumulated depreciation	(2,920)	(2,993)
Other, net	443	521
Total property, plant and equipment	7,622	8,146
Intangible assets		
Software	163	906
Software in progress	906	58
Other	11	11
Total intangible assets	1,081	975
Investments and other assets		
Investment securities	18,154	19,607
Deferred tax assets	66	58
Other	2,215	2,409
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	20,424	22,063
Total fixed assets	29,128	31,185
Total assets	54,927	59,025

(Millions of yen)		
	As of May 31, 2017	End of the First Half of Fiscal 2017 (November 30, 2017)
Liabilities		
Current liabilities		
Trade notes and accounts payable	3,346	4,475
Electronically recorded obligations - operating	5,489	5,631
Short-term debt	4,969	6,646
Income taxes payable	437	208
Consumption and other taxes payable	134	28
Accrued expenses	1,069	991
Advances received	119	107
Deposits received	235	260
Reserve for directors' bonuses	33	22
Reserve for employees' bonuses	952	1,045
Reserve for order losses	365	459
Other	389	377
Total current liabilities	17,543	20,255
Long-term liabilities		
Long-term debt	6,786	6,685
Long-term payables	157	35
Net defined benefit liability	3,913	3,926
Deferred tax liabilities	1,792	2,297
Other	131	130
Total long-term liabilities	12,780	13,076
Total liabilities	30,324	33,331
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	10,170	10,142
Treasury stock	(477)	(479)
Total shareholders' equity	17,868	17,839
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	6,879	7,992
Foreign currency translation adjustments	156	137
Adjustments of defined benefit plans	(300)	(275)
Total accumulated other comprehensive income	6,735	7,854
Total net assets	24,603	25,693
Total liabilities and net assets	54,927	59,025

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income for the First Half

	(Millions of yen)	
	1H FY2016 (June 1, 2016 to November 30, 2016)	1H FY2017 (June 1, 2017 to November 30, 2017)
Net Sales	18,147	18,655
Cost of sales	14,078	14,887
Gross profit	4,069	3,768
Selling, general and administrative expenses	3,890	4,000
Operating income (loss)	179	(232)
Non-operating income		
Interest income	0	0
Dividend income	164	171
Equity in profit of unconsolidated subsidiaries and affiliates	11	71
Foreign exchange gains	9	50
Gain on reversal of environmental expenses	—	40
Miscellaneous income	34	41
Total non-operating income	220	374
Non-operating expenses		
Interest expense	55	72
Loss on disposal of fixed assets	2	0
Commission fee	—	10
Miscellaneous loss	6	12
Total non-operating expenses	64	95
Ordinary Income	334	47
Extraordinary income		
Gain on sales of investment securities	—	390
Other	—	2
Total extraordinary income	—	392
Extraordinary loss		
Loss on sales of fixed assets	23	7
Total extraordinary losses	23	7
Income before income taxes	311	432
Income taxes: Current	286	138
Income taxes: Deferred	(214)	38
Total income taxes	72	176
Net income	239	256
Net Income Attributable to Owners of the Parent	239	256

Consolidated Statements of Comprehensive Income for the First Half

(Millions of yen)

	1H FY2016 (June 1, 2016 to November 30, 2016)	1H FY2017 (June 1, 2017 to November 30, 2017)
Net income	239	256
Other comprehensive income		
Unrealized holding gain on available-for-sale securities	91	1,112
Foreign currency translation adjustments	(10)	(3)
Adjusted amounts of defined benefit plans	25	25
Share of other comprehensive income of affiliates to which the equity method is applied	(162)	(16)
Total other comprehensive income	(56)	1,118
Comprehensive income	182	1,374
Comprehensive income attributable to:		
Owners of the parent	182	1,374
Non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2016 (June 1, 2016 to November 30, 2016)	1H FY2017 (June 1, 2017 to November 30, 2017)
Cash flows from operating activities		
Income before income taxes	311	432
Depreciation and amortization	371	487
Decrease in allowance for doubtful accounts	(0)	(0)
Increase in reserve for employees' bonuses	124	93
Increase in net defined benefit liability	40	13
Increase in reserve for order losses	78	93
Interest and dividends income	(164)	(171)
Interest expense	55	72
Loss on sales of property, plant and equipment	23	7
Gain on sales of investment securities	—	(390)
Increase in notes and accounts receivable-trade	(428)	(172)
Increase in inventories	(521)	(2,434)
(Decrease) increase in trade notes and accounts payable	(885)	1,267
Increase (decrease) in advances received	353	(12)
Decrease in accrued expenses	(51)	(80)
Other	29	(585)
Subtotal	(663)	(1,378)
Interest and dividends income received	172	171
Interest expenses paid	(56)	(70)
Refund of (payments for) corporate and other taxes	14	(483)
Net cash used in operating activities	(533)	(1,761)
Cash flows from investing activities		
Purchases of property, plant and equipment	(366)	(939)
Proceeds from sales of property, plant and equipment	—	74
Purchases of intangible assets	(133)	(64)
Purchases of investment securities	(6)	(163)
Proceeds from sales of investment securities	0	840
Payments of loans receivable	—	(70)
Payments for investments in capital of subsidiaries and affiliates	—	(124)
Other	26	(3)
Cash flows from investing activities	(480)	(451)
Cash flows from financing activities		
Increase in short-term loans payable, net	1,500	1,673
Repayment of long-term debt	(181)	(101)
Purchases of treasury stock	(300)	(1)
Cash dividends paid	(289)	(282)
Other	(0)	(0)
Cash flows from financing activities	728	1,287
Effect of exchange rate change on cash and cash equivalents	(1)	5
Decrease in cash and cash equivalents	(287)	(920)
Balance of cash and cash equivalents at the beginning of the period	2,401	2,091
Balance of cash and cash equivalents at the end of the period	2,114	1,170

(4) Segment Information

(Notes on going concern assumption)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Segment Information)

Segment Information:

The 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 ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statements of Income ³
	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 at a loss 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.

The First Half of Fiscal 2017 (June 1, 2017 to November 30, 2017)

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

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statements of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net Sales							
Sales to third parties	12,655	5,292	704	3	18,655	—	18,655
Inter-segment sales and transfers	0	1	—	372	373	(373)	—
Total	12,655	5,293	704	375	19,029	(373)	18,655
Segment profit (loss)	1,140	(33)	34	22	1,163	(1,395)	(232)

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 1,395 million yen. This is comprised of an elimination of inter-segment sales and transfer amount at a loss of 4 million yen and corporate expenditure (a loss of 1,391 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. Supporting Materials for the Financial Results

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

(a) Production Status

Business segment	1H FY2016 (June 1, 2016 to November 30, 2016)		1H FY2017 (June 1, 2017 to November 30, 2017)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	12,901	73.4	12,811	69.8
Industrial Systems	4,434	25.2	5,357	29.2
Information Equipment Systems	250	1.4	186	1.0
Other	—	—	—	—
Total	17,585	100.0	18,356	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 FY2016 (June 1, 2016 to November 30, 2016)		1H FY2017 (June 1, 2017 to November 30, 2017)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	13,686	25,080	12,622	25,773
Industrial Systems	5,923	7,042	5,736	7,593
Information Equipment Systems	1,309	1,353	1,382	1,590
Other	2	—	3	—
Total	20,922	33,477	19,745	34,958

Notes:

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

(c) Sales Status

Business segment	1H FY2016 (June 1, 2016 to November 30, 2016)		1H FY2017 (June 1, 2017 to November 30, 2017)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	12,765	70.3	12,655	67.8
Industrial Systems	4,909	27.1	5,292	28.4
Information Equipment Systems	468	2.6	704	3.8
Other	2	0.0	3	0.0
Total	18,147	100.0	18,655	100.0

Notes:

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