
Financial Results Briefing

Fiscal 2014 (Ended May 2015)

July 13, 2015

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- Briefing on Financial Results: 25 minutes
 1. Overview of Financial Results for Fiscal 2014
 2. Current Status of the Medium-Term Management Plan—“Next 100: Beyond 100 years”
 3. Outlook for Financial Results for Fiscal 2015

- Q&A: 30 minutes

1. Overview of Financial Results for Fiscal 2014

1-1. Overview of Consolidated Financial Results

Significant increase in both net sales and income year-on-year

FY2015

- Operating income increased by about 50% due to revenue and plant profitability improvement
- Ordinary and net incomes almost doubled due to foreign currency exchange gains

Long-term perspective

- Recorded highest net sales amount since the introduction of consolidated reporting (recorded highest amount for Transportation Systems)
- Achieved new records for both overseas net sales and the ratio of overseas sales to net sales

	FY2012	FY2013	FY2014	YoY Change		(Billions of yen) Difference	
					(%)		(%)
Net sales	30.57	34.95	39.61	+4.66	(+13.3%)	-0.38	(-1.0%)
Operating income (%)	0.50 (1.6%)	1.07 (3.1%)	1.59 (4.0%)	+0.52 (+1.0%)	(+48.3%) -	-0.20 (-0.5%)	(-11.3%) -
Ordinary income (%)	1.15 (3.8%)	1.03 (3.0%)	2.05 (5.2%)	+1.02 (+2.2%)	(+98.5%) -	-0.04 (-0.1%)	(-2.1%) -
Net income (%)	0.72 (2.4%)	0.64 (1.8%)	1.10 (2.8%)	+0.46 (+0.9%)	(+71.6%) -	-0.09 (-0.2%)	(-7.9%) -
Net income per share (Yen)	+14.98	+13.37	+22.94	+9.57	(+71.6%)	-1.96	(-7.9%)
ROE	4.3%	3.4%	5.0%	+1.6%	-	-	-
Orders received	33.94	42.56	39.07	-3.49	(-8.2%)	-5.93	(-13.2%)
Ratio of overseas sales to net sales	23.7%	27.3%	38.0%	+10.7%	-	-	-

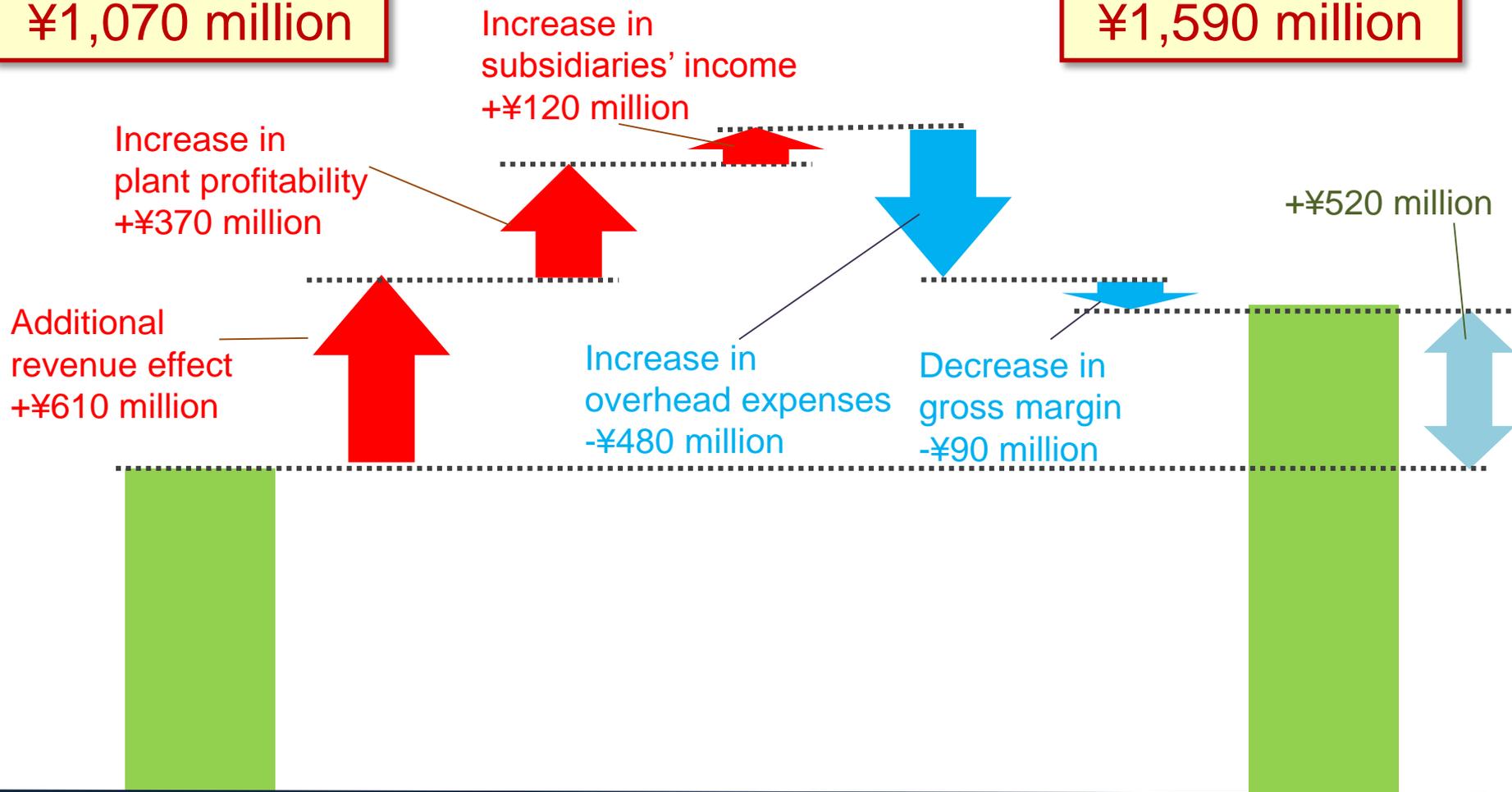
1-2. Factors Contributing to YoY Changes in Operating Income

FY2013

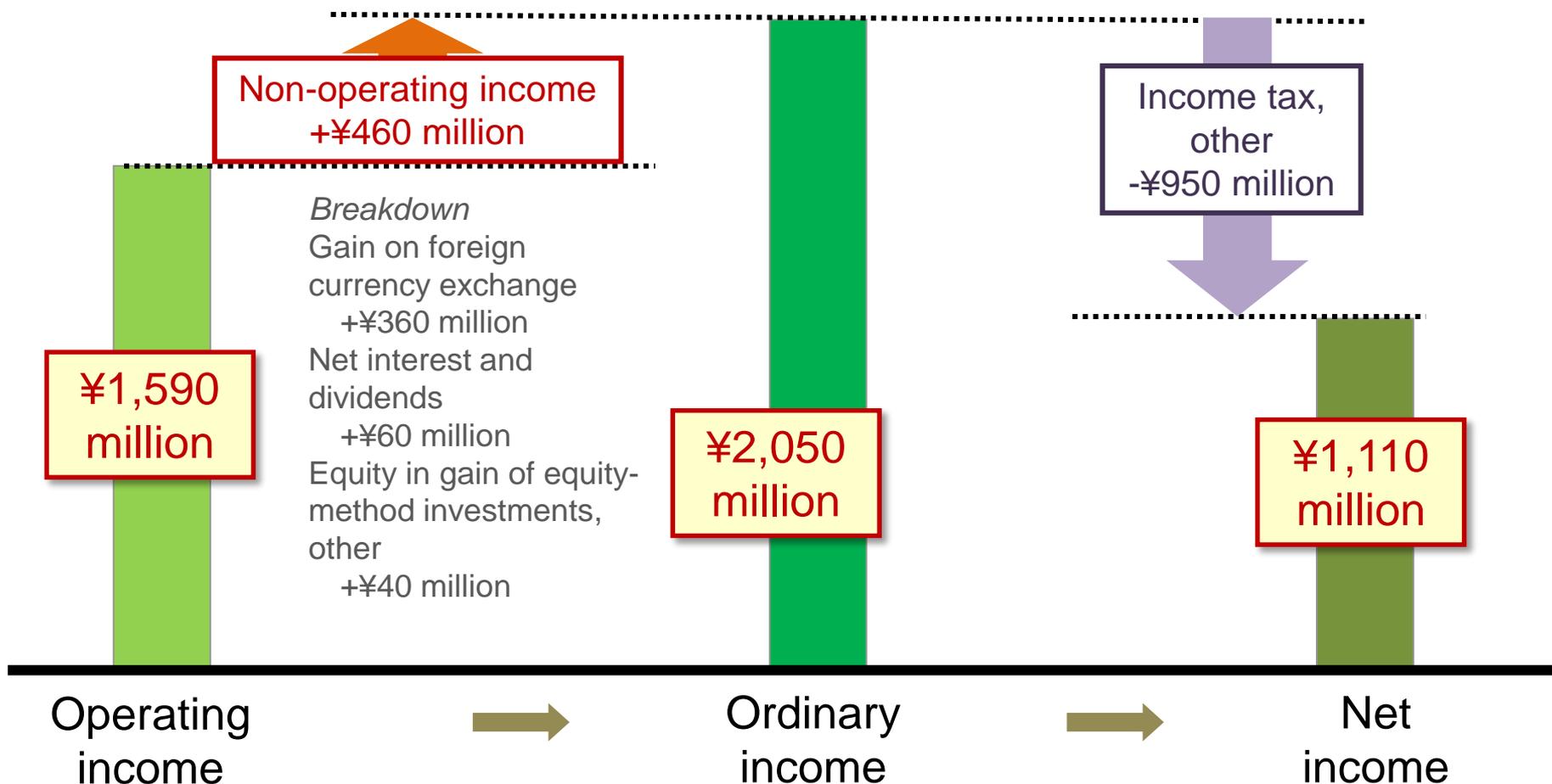
FY2014

¥1,070 million

¥1,590 million



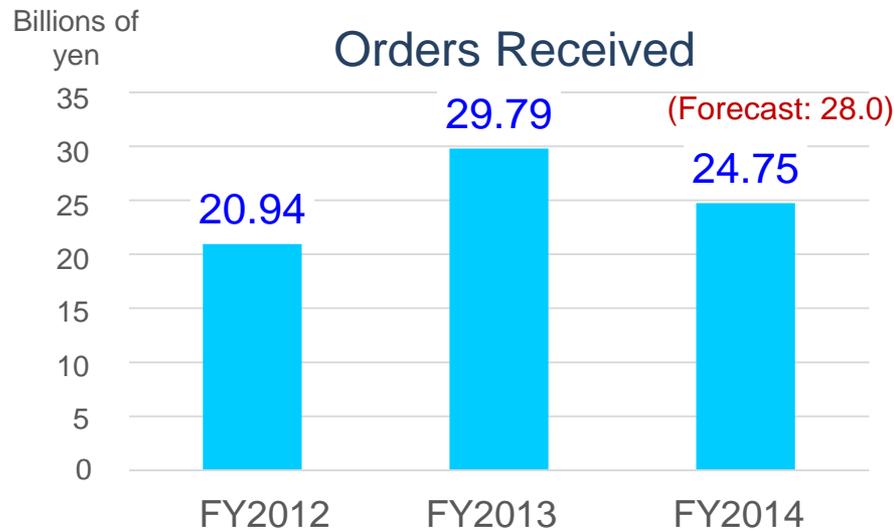
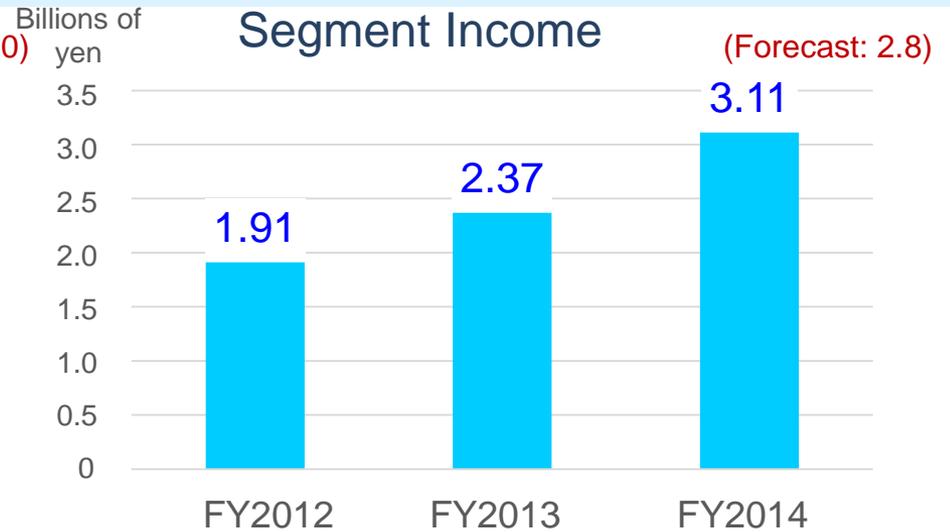
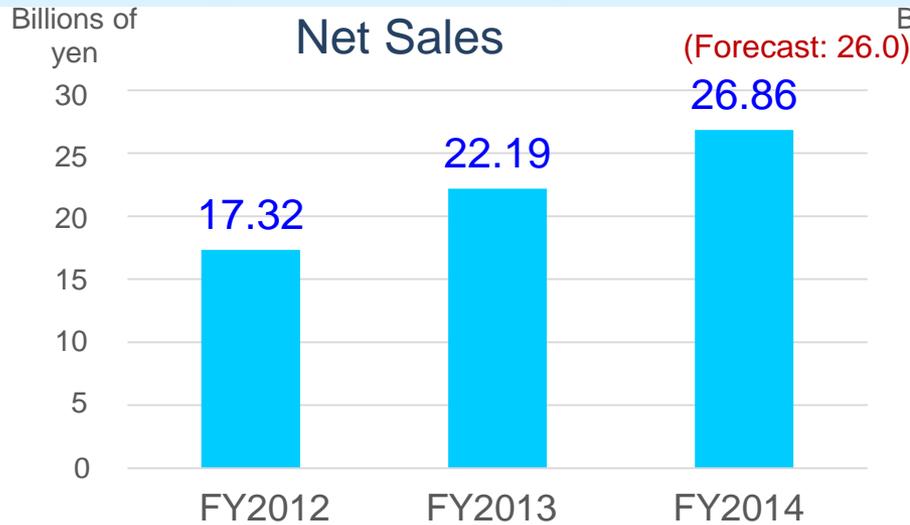
1-3. Details of Non-Operating Income and Expenses



Note: Currency exchange rates
End of May 2014: ¥101.66/ US\$1.00
End of May 2015: ¥123.73/ US\$1.00

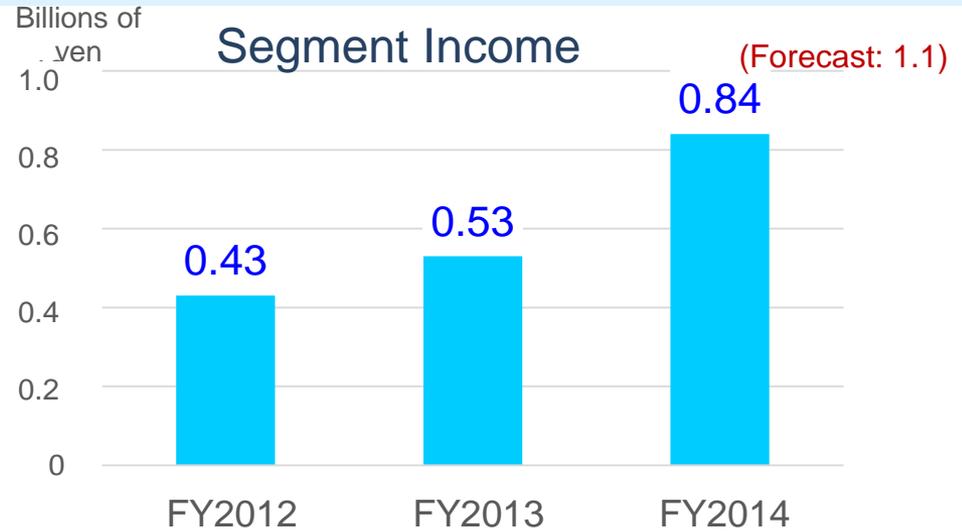
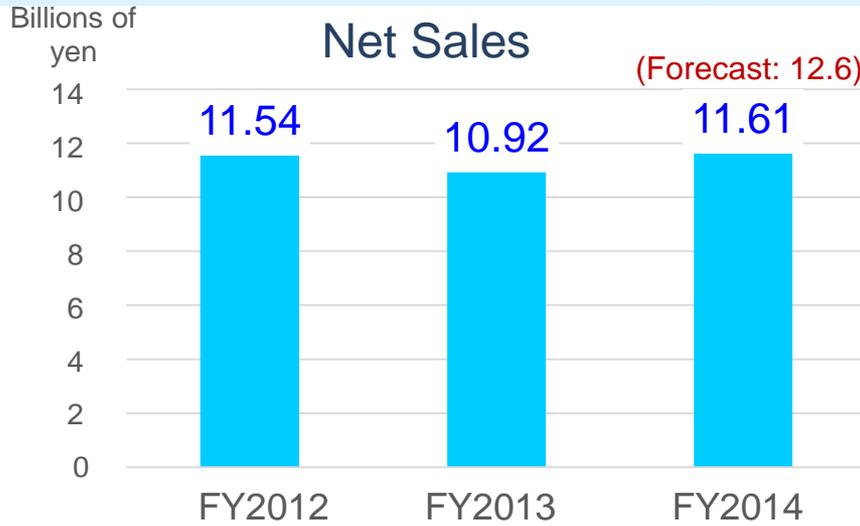
1-4. Segment Performance: **Transportation Systems**

Net sales and segment income have significantly increased thanks to international projects. Order backlog has remained high.



1-5. Segment Performance: Industrial Systems

Significant earnings growth due to structural reforms and increased revenues. Orders received have recovered to the level prior to the 2008 global financial crisis.

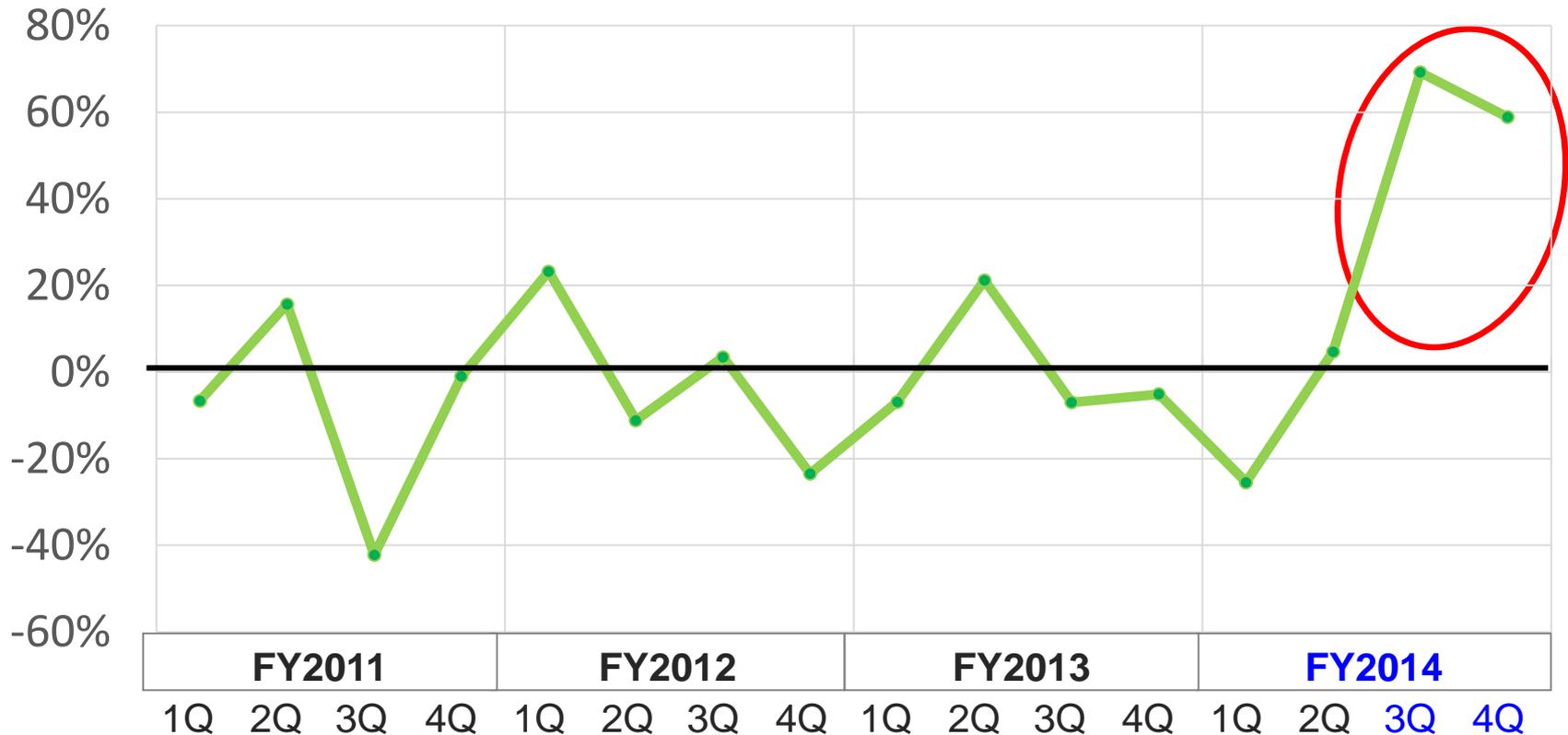


1-5. Reference: Industrial Systems Orders Received

A large expansion in orders received started in the Dec.–Feb. quarter in FY2014

Year-on-year growth rate for quarterly orders received

Fiscal 2015 is expected to record orders of 16 billion yen, higher than just before the 2008 global financial crisis.

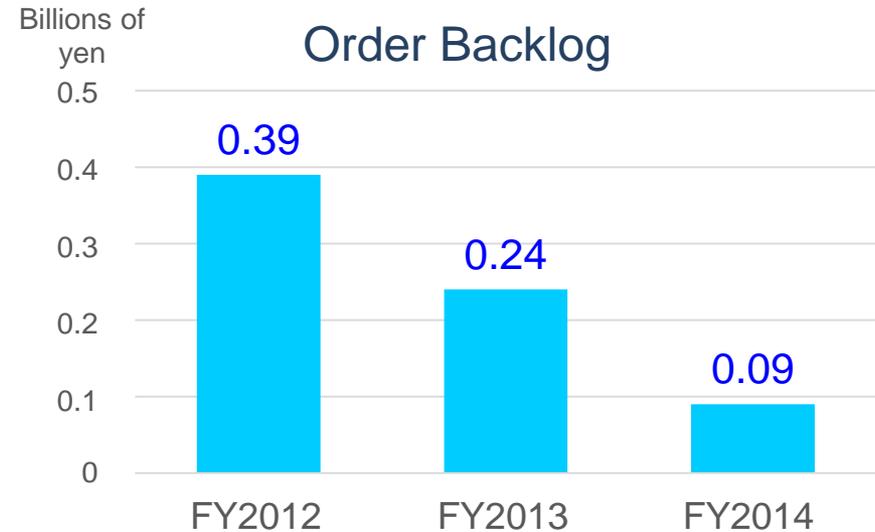
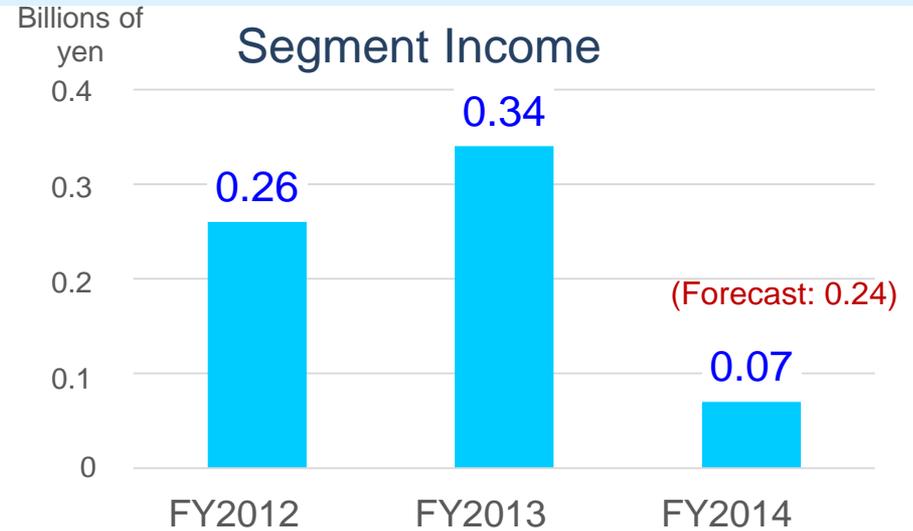
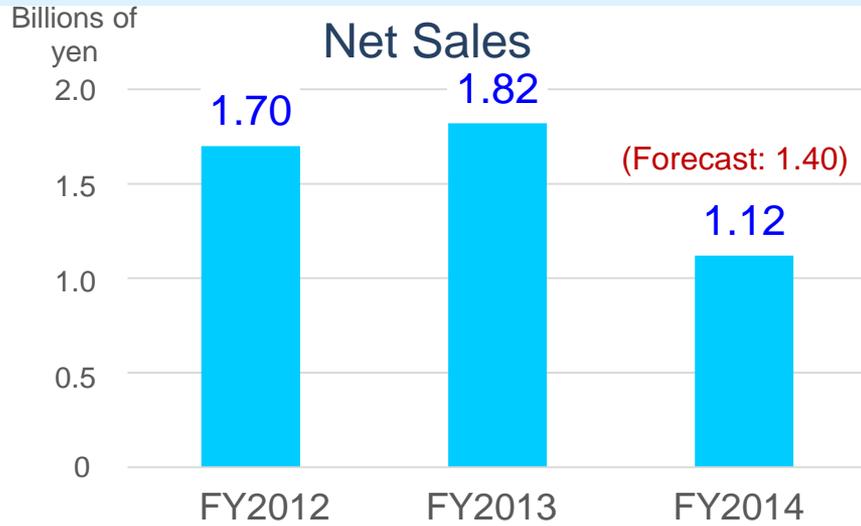


Note:

1Q: Jun.–Aug.; 2Q: Sept. –Nov.; 3Q: Dec. –Feb.; 4Q: Mar. –May

1-6. Segment Performance: Information Equipment Systems

Station operating equipment orders fell due to a dip in upgrade demand.



1-7. Consolidated Financial Position

(Billions of yen)

	May 31, 2014	May 31, 2015	YoY Change	Notes (Major Factors Contributing to Changes)
Total assets	44.75	53.04	+8.29	
Current assets	23.55	25.59	+2.04	Cash and deposits: +0.57, notes and accounts receivable-trade: +2.03 Inventories: -0.70, other
Fixed assets	21.19	27.44	+6.25	Investment securities: +6.06, other (Due to the rise in market value of existing capital holdings)
Total liabilities	25.40	28.14	+2.74	Deferred tax liabilities: +1.96 Interest-bearing liabilities: +0.50, other
Of which, interest- bearing debt	8.92	9.42	+0.50	
Net assets	19.35	24.89	+5.54	Retained earnings: +1.19, Unrealized holding gain on available-for- sale securities: +4.36
Equity ratio	43.2%	47.0%	+3.7%	
Net assets per share (yen)	401.45	516.82	+115.37	

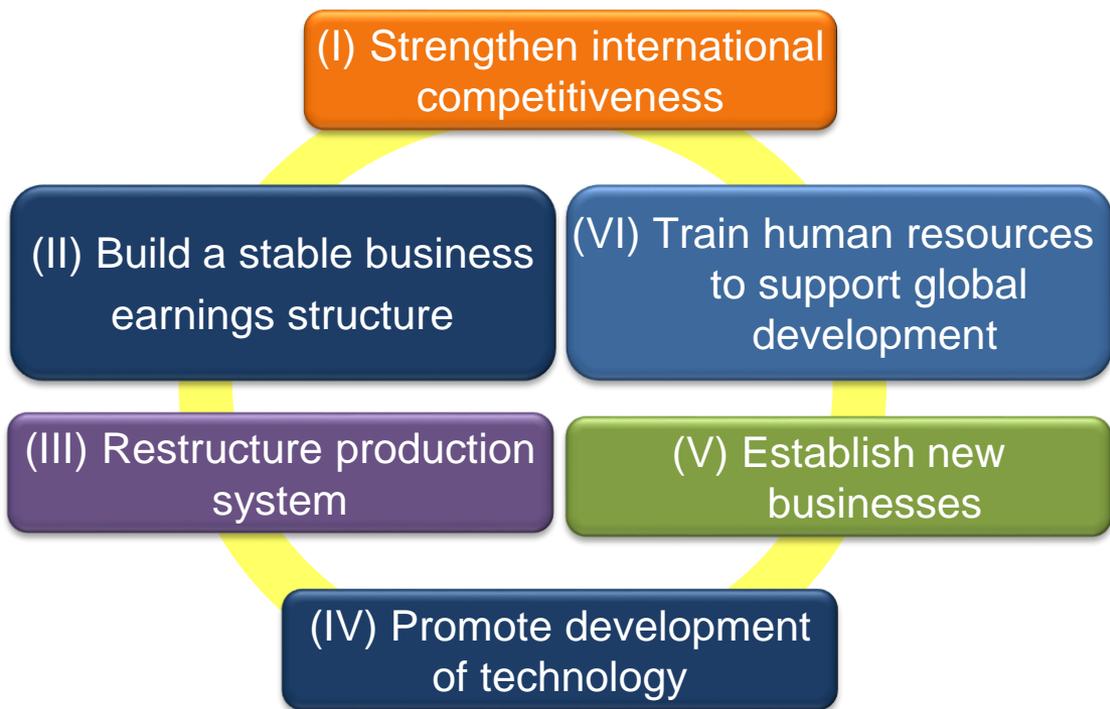
2. Current Status of the Medium-Term Management Plan—“Next 100”

2-1. 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”

- **Period Covered**
June 2014–May 2017

- **Fundamental Policy**



- **Performance Targets**

(Billions of yen)

	NEXT100		
	FY2013	FY2014	FY2016 Forecast
Net sales	34.95	39.61	50.00
Operating income <i>(Operating income margin)</i>	1.07 <i>(3.1%)</i>	1.59 <i>(4.0%)</i>	3.00 <i>(6.0%)</i>
Ordinary income	1.03	2.05	3.20
Net income	0.64	1.10	1.90
Overseas net sales <i>(Ratio of overseas sales to net sales)</i>	9.55 <i>(27.3%)</i>	15.06 <i>(38.0%)</i>	25.00 <i>(50.0%)</i>

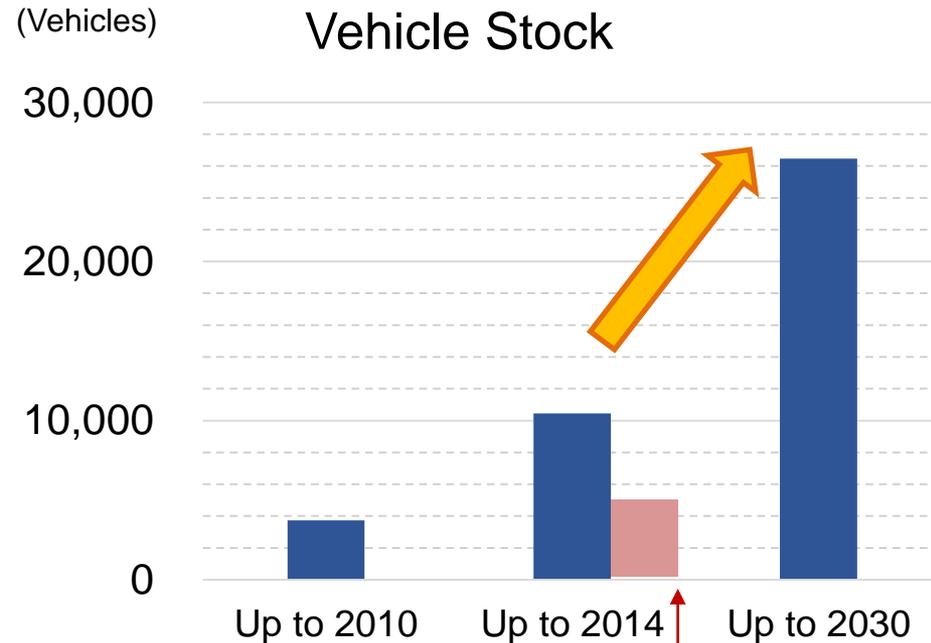
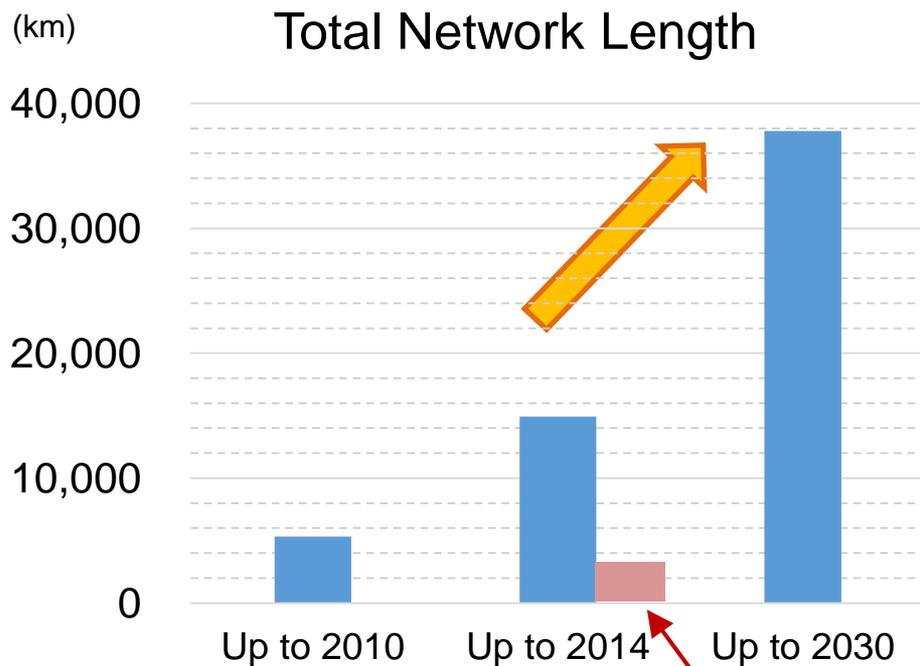
2-2. (I) Strengthening International Competitiveness

(Transportation Systems)

High level of orders continues with products for Chinese high-speed rail. Overseas expansion of China Railway Rolling Stock Corporation (CRRC) is also anticipated.

- The total length of the Chinese high-speed rail system is about five times that of Japan's Shinkansen, and further expansion is expected.
- Toyo Denki gear unit orders are also staying at a high level.
- Toyo Denki accommodates new vehicle demand associated with the new line opening and take measures to meet strong upgrade demand.

Expansion of the Chinese High-speed Rail Network



Current level in Japan (Shinkansen)

2-3. (I) Strengthening International Competitiveness (Transportation Systems)

Development, testing and delivery are all moving forward as planned for international projects.

1. Shipped electrical equipment and started tests for LRV for Los Angeles Metro



3. Enhanced sales activity in the Middle East and Southeast Asia
 - Initiative for the Jakarta Mass Rapid Transit (MRT) project
 - More inquiries from other regions as well

4. Expanded business in electrical equipment into the automated people mover (APM) segment
 - APM expansion in Macau, etc.

2. Commercialized and launched high-speed circuit breakers to market

- Joint development of new products with Hitachi, Ltd.



Macau APM rail transportation system

2-4. (II) Building a Stable Business Earnings Structure (Industrial Systems)

Strengthening sales activities such as sales channel expansion and securing upgrade demand

■ Initiatives for automotive development testing equipment

- Measures to support the overseas expansion of Japanese automakers
- Expansion towards manufacturers in Japan
- Development of overseas automaker customers

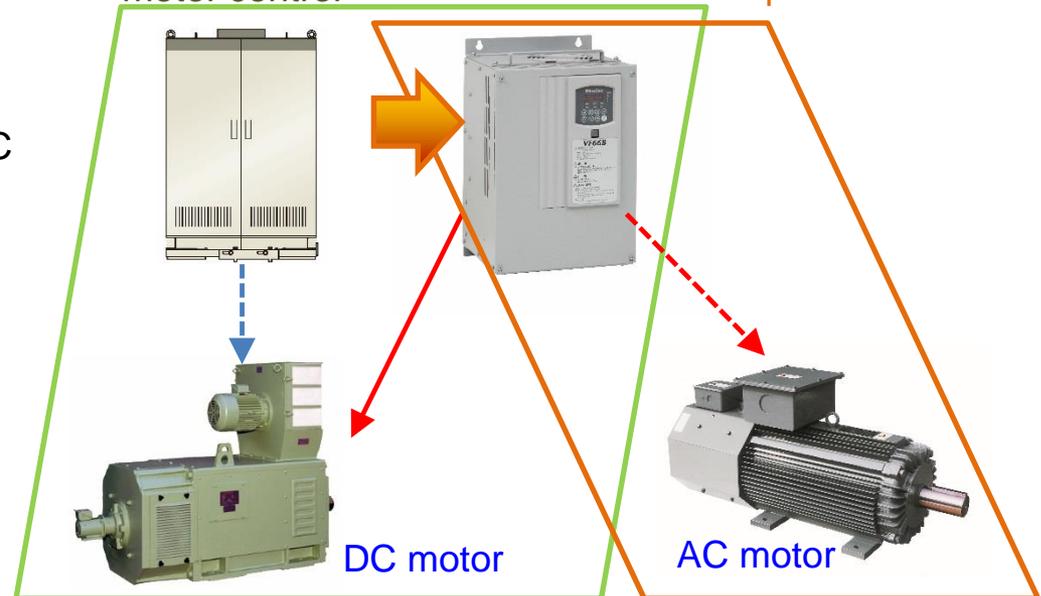


■ Securing DC motor upgrade demand (including control devices for processing machines)

- Launching inverters by adding a DC motor operation function in addition to AC motors
- Helping users by reducing capital investment and responding to needs for energy saving

1. Replacement of the DC motor control

2. Can also be used for AC motor operation



2-5. (III) Restructuring Production System

Securing a new plant site in order to achieve net sales of ¥50 billion or more

Aims

- Transportation Systems: Increase production capacity at the Yokohama Plant by 30% or more
- Industrial Systems: Consolidate scattered sites and functions in the Shiga district, and strengthen profitability and competitiveness. (Integrate functions such as development, design, manufacturing and quality assurance into the Shiga district)

Site overview

- Location: Ryuo-cho, Shiga Prefecture
- Scheduling contract signing: March 2015
- Land area: 34,400 m²
(Yokohama Plant: 55,300 m²)
- Scheduled start of operation: Spring 2018



2-6. (V) Establishing New Businesses (Transportation Systems)

Start of maintenance business in China. Concept realization also begun for medium- and long-term development.

Background

- Secured over 30% of the electrical equipment demand from the Beijing Subway

Current situation

- Beijing Jingche Shuangyang Traction System Co., Ltd. started operations in October 2014
- Capturing all the demand for electrical equipment overhaul from the rapidly expanding Beijing Subway

Business outlook

- Also capturing subway maintenance demand outside Beijing.
- Increasing the plant scale and capacity to more than three times the current levels.
 - Plans for plant relocation as part of Beijing-Tianjin-Hebei economic zone plan.



Office of Beijing Jingche Shuangyang Traction System
(Non-equity method affiliated company)

2-6. Reference (V) Establishing New Businesses (Transportation Systems)

Estimated number of Beijing Subway vehicles requiring maintenance

		Results ←													→ Plan (estimated)													(As of December 31, 2014)				
Route/Line	Vehicles	Equipment manufacturer	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025						
Existing route	1	234	Toyo					Note 1	120			114							注2)	40	40	40	38	38	38							
	Fuba	186	Toyo											62	62	62								62	62	62						
	Batong	180	Toyo	96					84							48	48	42	42							48						
	2	126	Japan A					114				12						38	38	38	6	6										
	4	198	Overseas C							198											66	66	66									
	Daxing	192	Overseas C								192											64	64	64								
	5	210	Japan B					210								70	70	70														
	6	512	Overseas D										512		Phase 2	To west									170	170	170					
	8	234	Japan A									198		Phase 2		Phase 3								66	66	66	N.A.					
	9	144	Toyo									144												48	48	48						
	10	504	Toyo							258			246									86	86	86	82	82	82					
	13	336	Japan B	336						N.A.					112	112	112					N.A.	N.A.	N.A.		112	112	112				
	14	82	N.A.												82											41						
	15	162	Overseas D									162			Phase 2							54	54	54								
	Changping	162	Japan A									162			Phase 2							To south	54	54	54							
	Yizhuang	138	Toyo									138											46	46	46							
Fangshan	126	China E									72						To north					24	24	24								
Airport	40	Overseas C							40												13	13	13	To west								
Under construction, planned	7													N.A.											N.A.							
	Western Suburb													N.A.																		
	Haidianshanhou													N.A.																		
	16													N.A.																		
Total vehicles		3,766																														
Total new vehicles			336	96	0	0	0	324	502	198	726	468	758	0	82																	
Total vehicles for general inspection and repair (estimated)																174	174	222	118	150	190	177	263	451	542	766	540	433				

Many routes opened around the Beijing Olympics

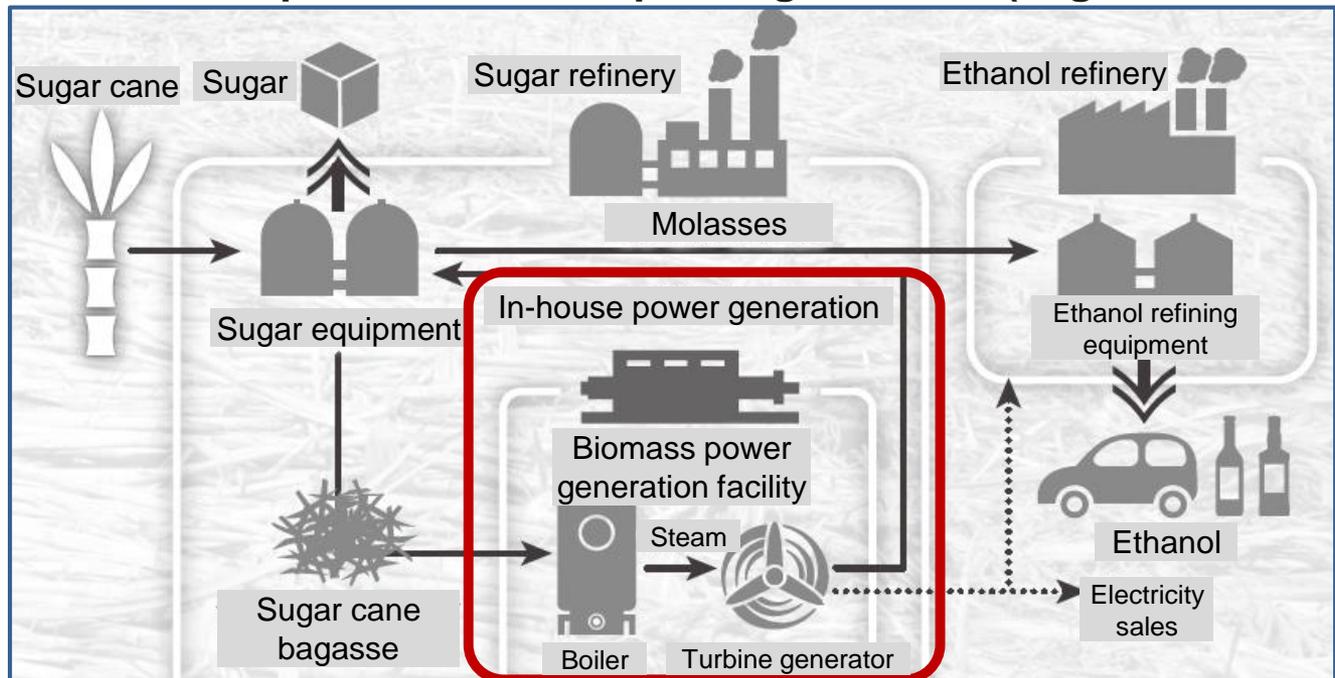
Many vehicles need general inspection and repair after 10 years from introduction

2-7. (V) Establishing New Businesses (Industrial Systems)

Strengthening of the generator business (up to 30 MW). Developing the Japanese and international markets.

Toyo Denki's target market			
Capacity	1 to 10 MW	11 to 30 MW	Higher
Application examples	<ul style="list-style-type: none"> • Biomass power generation (energy recovery) • Waste processing furnace (energy recovery) • Power supplies (emergency / regular), etc. 		Power plants

Application examples for biomass power generation (sugar cane refinery)



3. Outlook for Financial Results for Fiscal 2015

3-1. Consolidated Financial Forecast for Fiscal 2015

Net sales is forecast at ¥44 billion and operating income is forecast at ¥ 2.1 billion

(Billions of yen)

	FY2014		FY2015 (Forecast)		YoY Change	
	1H [A]	Full Year [a]	1H [B]	Full Year [b]	1H [B]—[A]	Full Year [b]—[a]
Net sales	19.06	39.61	18.00	44.00	-1.06	+4.38
Operating income (%)	0.58 (3.1%)	1.59 (4.0%)	0.30 (1.7%)	2.10 (4.8%)	-0.28 (-1.4%)	+0.50 (+0.7%)
Ordinary income (%)	0.87 (4.6%)	2.05 (5.2%)	0.35 (1.9%)	2.20 (5.0%)	-0.52 (Δ2.6%)	+0.14 (Δ0.2%)
Net income (%)	0.51 (2.7%)	1.10 (2.8%)	0.20 (1.1%)	1.40 (3.2%)	-0.31 (-1.6%)	+0.29 (+0.4%)
Net income per share (yen)	10.69	22.94	4.15	29.05	-6.54	+6.11
Dividend forecast (yen/share)		6.0		6.0		0.0
ROE		5.0%		5.5%		+0.5%
Orders received	19.60	39.07	19.50	46.00	-0.10	+6.93
Year-end order backlog		31.34				

3-2. Consolidated Financial Forecast for Fiscal 2015 by Segment

- NEXT100

Increase in net sales and income is expected as a result of full-scale industrial recovery and continued strong business for Transportation Systems.

(Billions of yen)

		Transportation Systems	Industrial Systems	Information Equipment Systems	Adjustment, etc.	Total
FY2015	Net sales	28.50	14.00	1.50	0.00	44.00
	Segment income	3.20	1.20	0.23	(2.53)	2.10
	Orders received	28.50	16.20	1.30	0.00	46.00
YoY Change	Net sales	+1.63	+2.39	+0.37	-0.01	+4.38
	Segment income	+0.08	+0.35	+0.16	-0.09	+0.50
	Orders received	+3.74	+2.88	+0.32	-0.01	+6.93

3-3. Conclusion

Looking toward the next 100 years, focusing on priority issues and segments below

Transportation Systems

- Revenue expansion for the new maintenance business
- Expansion of overseas development areas
- Expanding and deepening alliances

Industrial Systems

- Strengthening initiatives for the new generator business
- Strengthening sales channels and product foundations for automotive testing equipment

Both Segments

- Execution of investment strategy for medium-term growth
- Improvement of capital efficiency

Thank you for your interest.

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

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