

Summary of Consolidated Business Results for the First Quarter of Fiscal 2021

October 13, 2021

Company Name: Toyo Denki Seizo K.K. Stock Exchange: 1st Section of the Tokyo Stock Exchange
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Scheduled date of submission of quarterly financial report : October 14, 2021
 Scheduled date of commencement of dividend payments : —
 Preparation of quarterly financial report supplemental explanatory materials : Yes
 Holding of quarterly financial results briefing : Yes

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

1. Consolidated Business Results for the First Quarter of Fiscal 2021 (June 1, 2021 to August 31, 2021)

(1) Consolidated Operating Results

(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	%
1Q Fiscal 2021	6,752	(14.0)	(339)	—	(145)	—	114	(63.8)
1Q Fiscal 2020	7,848	(11.2)	169	—	265	—	315	245.9

(Note) Comprehensive income: 1Q Fiscal 2021 (75) million yen [-%]
 1Q Fiscal 2020 (815) million yen [-%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
1Q Fiscal 2021	12.76	—
1Q Fiscal 2020	35.24	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio
	Millions of yen	Millions of yen	%
As of August 31, 2021	51,800	23,664	45.7
As of May 31, 2021	51,967	24,008	46.2

(Reference) Shareholders' equity: As of August 31, 2021 23,664 million yen
 As of May 31, 2021 24,008 million yen

2. Dividend Information

	Annual Dividend				
	1Q	Interim	3Q	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	—	0.00	—	30.00	30.00
Fiscal 2021	—	—	—	—	—
Fiscal 2021 (Forecast)	—	—	—	30.00	30.00

(Note) 1. Revisions to the most recently announced dividend forecast: No

3. Consolidated Performance Forecast for Fiscal 2021 (June 1, 2021 to May 31, 2022)

(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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First 6 months	15,000	(10.3)	(100)	—	50	(85.9)	150	(66.8)	16.78
Full year	34,000	2.6	450	6.2	700	(7.6)	800	(18.2)	89.48

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

* Notes:

- (1) Transfers of major subsidiaries during the period: No
(Transfers of specified subsidiaries accompanied by changes in the scope of consolidation)
Newly included: - companies (name of the company) Excluded: - companies (name of the company)

- (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

(Note) For details, please refer to “(3) Notes on Consolidated Financial Statements (Changes in accounting policies)” in “2. Consolidated Financial Statements,” on page 7.

- (4) Shares outstanding (common stock)

- (a) Number of shares outstanding as of the end of the period (including treasury stock):
- (b) Number of shares of treasury stock as of the end of the period:
- (c) Average number of shares for the period (fiscal year-to-date):

1Q Fiscal 2021	9,735,000 shares	Fiscal 2020	9,735,000 shares
1Q Fiscal 2021	794,248 shares	Fiscal 2020	794,128 shares
1Q Fiscal 2021	8,940,797 shares	1Q Fiscal 2020	8,941,537 shares

* Quarterly financial reports are not subject to quarterly review procedures by a certified public accountant or audit firm.

* Disclaimer concerning the proper use of business results forecasts and other relevant specific items

(Note on forward-looking statements)

The forecasts for business results presented in this document are based on management’s assumptions and beliefs in light of currently available information. 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 forecasts of operating results (available in Japanese only).

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

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2020 (As of May 31, 2021)	1Q Fiscal 2021 (As of August 31, 2021)
Assets		
Current assets		
Cash and cash equivalents	3,964	4,387
Trade notes and accounts receivable	13,218	—
Trade notes, accounts receivable, and contract assets	—	13,222
Electronically recorded monetary claims - operating	901	869
Products and finished goods	514	631
Work in process	3,565	3,540
Raw materials and stored goods	2,821	2,706
Advances	7	19
Other accounts receivable	114	120
Other	196	253
Allowance for doubtful accounts	(2)	(1)
Total current assets	25,300	25,748
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,338	12,342
Accumulated depreciation	(5,928)	(6,031)
Buildings and structures, net	6,410	6,311
Machinery and equipment	8,397	8,390
Accumulated depreciation	(7,430)	(7,488)
Machinery and equipment, net	966	902
Land	1,301	1,301
Construction in progress	24	19
Other	4,857	4,879
Accumulated depreciation	(4,234)	(4,297)
Other, net	622	581
Total property, plant and equipment	9,325	9,115
Intangible assets		
Software	289	241
Other	14	14
Total intangible assets	303	256
Investments and other assets		
Investment securities	13,832	13,584
Deferred tax assets	223	204
Other	2,988	2,898
Allowance for doubtful accounts	(6)	(6)
Total investments and other assets	17,037	16,680
Total fixed assets	26,666	26,052
Total assets	51,967	51,800

Summary of Consolidated Business Results for the First Quarter of Fiscal 2021
 Toyo Denki Seizo K.K. (6505)
 (Millions of yen)

	Fiscal 2020 (As of May 31, 2021)	1Q Fiscal 2021 (As of August 31, 2021)
Liabilities		
Current liabilities		
Trade notes and accounts payable	1,668	1,609
Electronically recorded obligations - operating	4,705	4,104
Short-term debt	2,085	3,685
Accrued expenses	611	608
Income taxes payable	161	44
Consumption and other taxes payable	207	140
Advances received	34	—
Contract liabilities	—	85
Deposits received	193	288
Reserve for directors' bonuses	36	9
Reserve for employees' bonuses	827	423
Reserve for order losses	871	874
Other	224	224
Total current liabilities	11,628	12,100
Long-term liabilities		
Long-term debt	11,759	11,555
Long-term payables	17	17
Deferred tax liabilities	427	315
Net defined benefit liability	4,124	4,146
Other	1	1
Total long-term liabilities	16,330	16,035
Total liabilities	27,958	28,136
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	12,320	12,166
Treasury stock	(1,281)	(1,281)
Total shareholders' equity	19,214	19,060
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities	4,803	4,628
Foreign currency translation adjustments	88	66
Adjustments of defined benefit plans	(97)	(91)
Total accumulated other comprehensive income	4,793	4,604
Total net assets	24,008	23,664
Total liabilities and net assets	51,967	51,800

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

	(Millions of yen)	
	1Q Fiscal 2020 (June 1, 2020, to August 31, 2020)	1Q Fiscal 2021 (June 1, 2021, to August 31, 2021)
Net sales	7,848	6,752
Cost of sales	5,974	5,415
Gross profit	1,873	1,337
Selling, general and administrative expenses	1,703	1,676
Operating income (loss)	169	(339)
Non-operating income		
Interest income	0	0
Dividend income	132	83
Equity in profit of unconsolidated subsidiaries and affiliates	—	118
Miscellaneous income	6	12
Total non-operating income	139	214
Non-operating expenses		
Interest expenses	17	15
Equity in loss of unconsolidated subsidiaries and affiliates	8	—
Loss on disposal of fixed assets	0	0
Foreign exchange losses	5	2
Miscellaneous loss	13	1
Total non-operating expenses	44	20
Ordinary income (loss)	265	(145)
Extraordinary income		
Gain on sales of investment securities	206	162
Gain on the reversal of foreign currency translation adjustments	—	94
Total extraordinary income	206	256
Income before income taxes	471	110
Income taxes: Current	136	15
Income taxes: Deferred	20	(19)
Total income taxes	156	(3)
Net income	315	114
Net income attributable to owners of the parent	315	114

Summary of Consolidated Business Results for the First Quarter of Fiscal 2021
Toyo Denki Seizo K.K. (6505)

Consolidated Statements of Comprehensive Income for the First Quarter

	(Millions of yen)	
	1Q Fiscal 2020 (June 1, 2020, to August 31, 2020)	1Q Fiscal 2021 (June 1, 2021, to August 31, 2021)
Net income	315	114
Other comprehensive income		
Unrealized holding gains on available-for-sale securities	(1,133)	(174)
Foreign currency translation adjustments	17	2
Adjusted amounts of defined benefit plans	11	6
Share of other comprehensive income of affiliates to which the equity method is applied	(25)	(24)
Total other comprehensive income	(1,130)	(189)
Comprehensive income	(815)	(75)
Comprehensive income attributable to:		
Owners of the parent	(815)	(75)
Non-controlling interests	-	-

(3) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the fiscal period under review, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer in the amount expected to be received upon exchange of said goods or services.

In addition, the Company applies the alternative practice provided in Paragraph 98 of the Guidance on Accounting Standard for Revenue Recognition and recognizes revenue upon shipment of goods or products sold in Japan, if the period from shipment to transfer of control of the goods or products to the customer is of normal length.

As for construction contracts, the Company has conventionally applied the percentage-of-completion method to the portion of on-going construction with a certainty of delivery, and the completion contract method to others. However, as for contracts where performance obligations are fulfilled through a certain period from the fiscal period under review, the Company has shifted to a method in which it estimates the percentage of completion concerning the fulfillment of performance obligations and recognizes revenue based on the completion status for a certain period. As for contracts where performance obligations are fulfilled at a certain point of time, the Company has shifted to a method in which it recognizes revenue at the completion of construction, etc. The percentage of completion concerning the fulfillment of performance obligations is estimated based on the ratio of incurred cost to gross estimated cost (input method).

Application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal period under review, was added to or deducted from the opening balance of retained earnings of the fiscal period under review, and thus the new accounting policy was applied from such opening balance.

There is no impact on the profit and loss of the quarter under review as a result of this change. There is also no impact on the beginning balance of retained earnings.

Due to the application of the Accounting Standard for Revenue Recognition, "Trade notes and accounts receivable," which were presented under "Current assets" in the consolidated balance sheet for the previous fiscal year, are included in "Trade notes, accounts receivable, and contract assets" from the fiscal period under review, and "Advances received," which were presented under "Current liabilities," are included in "Contract liabilities" from the fiscal period under review. In accordance with the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations have been applied from the beginning of the fiscal period under review, and in accordance with the transitional treatment provided for in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the new accounting policy set forth by the Accounting Standard for Fair Value Measurement, etc. is applied prospectively. There was no impact on the quarterly consolidated financial statements.

(Segment Information)

[Segment Information]

1Q Fiscal 2020 (June 1, 2020 to August 31, 2020)

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

(Millions of yen)

	Reporting Segment			Other (Note 1)	Total	Adjustment Amount (Note 2)	Amount Recorded on Consolidated Statements of Income (Note 3)
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	5,142	2,398	305	1	7,848	—	7,848
Inter-segment sales and transfers	1	0	—	88	90	(90)	—
Total	5,143	2,399	305	90	7,938	(90)	7,848
Segment profit (loss)	586	190	106	(11)	872	(702)	169

- (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 702 million yen. This is comprised of an elimination of intersegment sales and transfer amount of a loss of 1 million yen and corporate expenditure (a loss of 704 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.

1Q Fiscal 2021 (June 1, 2021 to August 31, 2021)

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

(Millions of yen)

	Reporting Segment			Other (Note 1)	Total	Adjustment Amount (Note 2)	Amount Recorded on Consolidated Statements of Income (Note 3)
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	4,752	1,883	114	2	6,752	—	6,752
Inter-segment sales and transfers	0	0	—	89	90	(90)	—
Total	4,753	1,883	114	91	6,843	(90)	6,752
Segment profit (loss)	403	(65)	(5)	(4)	328	(668)	(339)

- (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 668 million yen. This is comprised of an elimination of intersegment sales and transfer amount of a loss of 0 million yen and corporate expenditure (a loss of 668 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. Other

(1) Status of Production, Orders, and Sales

(a) Production Status

Business segment	1Q Fiscal 2020 (June 1, 2020, to August 31, 2020)		1Q Fiscal 2021 (June 1, 2021, to August 31, 2021)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	5,133	69.3	4,370	70.6
Industrial Systems	2,144	29.0	1,768	28.6
Information Equipment Systems	127	1.7	55	0.9
Other	—	—	—	—
Total	7,406	100.0	6,194	100.0

Notes: Amounts are based on sales prices.

(b) Status of Orders Received

Business segment	1Q Fiscal 2020 (June 1, 2020, to August 31, 2020)		1Q Fiscal 2021 (June 1, 2021, to August 31, 2021)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	4,497	23,471	3,924	20,637
Industrial Systems	3,038	5,997	2,744	6,275
Information Equipment Systems	91	325	155	146
Other	1	—	2	—
Total	7,628	29,794	6,826	27,059

Notes: Amounts are based on sales prices.

(c) Sales Status

Business segment	1Q Fiscal 2020 (June 1, 2020, to August 31, 2020)		1Q Fiscal 2021 (June 1, 2021, to August 31, 2021)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	5,142	65.5	4,752	70.4
Industrial Systems	2,398	30.6	1,883	27.9
Information Equipment Systems	305	3.9	114	1.7
Other	1	0.0	2	0.0
Total	7,848	100.0	6,752	100.0

Notes: Amounts are based on sales prices.