

Summary of Consolidated Business Results for the First Half of Fiscal 2019

January 14, 2020

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
Representative: Kenzo Terashima, President	
Inquiries: Takatoshi Ohtsuka, General Manager, Management Planning Division	TEL: +81-3-5202-8122
Scheduled date of submission of quarterly financial report	: January 14, 2020
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 supplementary data are rounded down.)

1. Consolidated Business Results for the First Half of Fiscal 2019 (June 1, 2019 to November 30, 2019)

(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	%
1H Fiscal 2019	19,392	(1.2)	302	—	380	—	470	221.4
1H Fiscal 2018	19,635	5.3	(124)	—	(21)	—	146	(42.8)

(Note) Comprehensive income: 1H Fiscal 2019 1,054 million yen [-%]
1H Fiscal 2018 (640) million yen [-%]

	Net Income per Share	Diluted Net Income per Share
	Yen	Yen
1H Fiscal 2019	52.63	—
1H Fiscal 2018	15.62	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
	Millions of yen	Millions of yen	%
As of November 30, 2019	58,098	25,589	44.0
As of May 31, 2019	58,001	24,804	42.8

(Reference) Shareholders' equity: As of November 30, 2019 25,589 million yen
As of May 31, 2019 24,804 million yen

2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2018	—	0.00	—	30.00	30.00
Fiscal 2019	—	0.00	—	30.00	30.00
Fiscal 2019 (Forecast)	—	—	—	30.00	30.00

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

3. Consolidated Performance Forecast for Fiscal 2019 (June 1, 2019 to May 31, 2020)

(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	42,000	2.0	900	61.4	1,100	121.8	900	30.4	100.65

(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 : 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):
- (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):

1H Fiscal 2019	9,735,000 shares	Fiscal 2018	9,735,000 shares
1H Fiscal 2019	793,283 shares	Fiscal 2018	792,966 shares
1H Fiscal 2019	8,941,949 shares	1H Fiscal 2018	9,371,547 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 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 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 2018 (As of May 31, 2019)	1H Fiscal 2019 (As of November 30, 2019)
Assets		
Current assets		
Cash and cash equivalents	2,240	1,577
Trade notes and accounts receivable	14,192	15,359
Electronically recorded monetary claims - operating	1,443	1,026
Products and finished goods	991	845
Work in process	3,504	3,825
Raw materials and stored goods	3,074	2,855
Advances	47	25
Other accounts receivable	461	49
Other	64	150
Allowance for doubtful accounts	(1)	(0)
Total current assets	26,019	25,717
Fixed assets		
Property, plant and equipment		
Buildings and structures	12,210	12,272
Accumulated depreciation	(5,119)	(5,316)
Buildings and structures, net	7,090	6,956
Machinery and equipment	8,174	8,199
Accumulated depreciation	(6,732)	(6,921)
Machinery and equipment, net	1,441	1,277
Land	1,301	1,301
Construction in progress	31	50
Other	4,410	4,515
Accumulated depreciation	(3,592)	(3,752)
Other, net	818	763
Total property, plant and equipment	10,683	10,349
Intangible assets		
Software	677	568
Other	14	14
Total intangible assets	692	583
Investments and other assets		
Investment securities	17,856	18,419
Deferred tax assets	164	136
Other	2,598	2,904
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	20,606	21,448
Total fixed assets	31,982	32,381
Total assets	58,001	58,098

Summary of Consolidated Business Results for the First Half of Fiscal 2019
Toyo Denki Seizo K.K. (6505)
(Millions of yen)

	Fiscal 2018 (As of May 31, 2019)	1H Fiscal 2019 (As of November 30, 2019)
Liabilities		
Current liabilities		
Trade notes and accounts payable	2,670	2,788
Electronically recorded obligations - operating	5,944	5,525
Short-term debt	2,462	2,810
Accrued expenses	678	708
Income taxes payable	320	268
Consumption and other taxes payable	579	66
Advances received	59	70
Deposits received	216	237
Reserve for directors' bonuses	38	23
Reserve for employees' bonuses	819	828
Reserve for order losses	570	483
Other	402	229
Total current liabilities	14,763	14,041
Long-term liabilities		
Long-term debt	12,961	12,637
Long-term payables	20	20
Deferred tax liabilities	1,554	1,838
Net defined benefit liability	3,893	3,967
Other	4	3
Total long-term liabilities	18,433	18,467
Total liabilities	33,197	32,508
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	10,797	10,999
Treasury stock	(1,280)	(1,280)
Total shareholders' equity	17,693	17,894
Accumulated other comprehensive income		
Unrealized holding gains on available-for-sale securities	7,176	7,779
Foreign currency translation adjustments	126	83
Adjustments of defined benefit plans	(192)	(168)
Total accumulated other comprehensive income	7,110	7,694
Total net assets	24,804	25,589
Total liabilities and net assets	58,001	58,098

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

(Millions of yen)

	1H Fiscal 2018 (June 1, 2018 to November 30, 2018)	1H Fiscal 2019 (June 1, 2019 to November 30, 2019)
Net sales	19,635	19,392
Cost of sales	16,030	15,485
Gross profit	3,605	3,907
Selling, general and administrative expenses	3,729	3,605
Operating income (loss)	(124)	302
Non-operating income		
Interest income	0	0
Dividend income	181	164
Foreign exchange gains	13	—
Miscellaneous income	31	26
Total non-operating income	227	192
Non-operating expenses		
Interest expenses	72	46
Equity in loss of unconsolidated subsidiaries and affiliates	4	10
Loss on disposal of fixed assets	4	0
Foreign exchange losses	—	31
Miscellaneous loss	44	24
Total non-operating expenses	125	114
Ordinary income (loss)	(21)	380
Extraordinary income		
Gain on sales of investment securities	347	412
Total extraordinary income	347	412
Extraordinary loss		
Expenses for commemorative events of the 100th anniversary	20	—
Total extraordinary losses	20	—
Income before income taxes	305	793
Income taxes: Current	173	283
Income taxes: Deferred	(14)	38
Total income taxes	158	322
Net income	146	470
Net income attributable to owners of the parent	146	470

Consolidated Statements of Comprehensive Income for the First Half

(Millions of yen)

	1H Fiscal 2018 (June 1, 2018 to November 30, 2018)	1H Fiscal 2019 (June 1, 2019 to November 30, 2019)
Net income	146	470
Other comprehensive income		
Unrealized holding gains on available-for-sale securities	(758)	603
Foreign currency translation adjustments	(9)	(9)
Adjusted amounts of defined benefit plans	24	23
Share of other comprehensive income of affiliates to which the equity method is applied	(44)	(33)
Total other comprehensive income	(787)	583
Comprehensive income	(640)	1,054
Comprehensive income attributable to:		
Owners of the parent	(640)	1,054
Non-controlling interests	—	—

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H Fiscal 2018 (June 1, 2018 to November 30, 2018)	1H Fiscal 2019 (June 1, 2019 to November 30, 2019)
Cash flows from operating activities		
Income before income taxes	305	793
Depreciation and amortization	821	717
Decrease in allowance for doubtful accounts	(0)	(1)
Increase in reserve for employees' bonuses	0	8
Increase (decrease) in net defined benefit liability	(6)	74
Decrease in reserve for order losses	(168)	(81)
Interest and dividend income	(182)	(165)
Interest expenses	72	46
Gain on sales of investment securities	(347)	(412)
Decrease (increase) in notes and accounts receivable-trade	280	(784)
Decrease (increase) in inventories	(615)	22
Decrease in trade notes and accounts payable	(1,708)	(261)
Increase (decrease) in advances received	(114)	11
Increase in accrued expenses	42	38
Decrease (increase) in consumption taxes refund receivable	398	(30)
Increase (decrease) in accrued consumption taxes	62	(512)
Other	(0)	(86)
Subtotal	(1,162)	(625)
Interest and dividend income received	182	165
Interest expenses paid	(69)	(52)
Payments for corporate and other taxes	(54)	(238)
Cash flows from operating activities	(1,104)	(749)
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,409)	(363)
Purchases of intangible assets	(41)	(8)
Purchases of investment securities	(7)	(7)
Proceeds from sales of investment securities	565	1,073
Payments of loans receivable	—	(26)
Payments for investments in capital of subsidiaries	—	(338)
Other	188	(13)
Cash flows from investing activities	(704)	315
Cash flows from financing activities		
Increase in short-term loans payable, net	3,340	268
Repayment of long-term debt	(101)	(239)
Purchases of treasury stock	(799)	(0)
Cash dividends paid	(470)	(267)
Other	(0)	(0)
Cash flows from financing activities	1,969	(239)
Effect of exchange rate change on cash and cash equivalents	18	11
Increase (decrease) in cash and cash equivalents	178	(662)
Balance of cash and cash equivalents at the beginning of the period	1,555	2,240
Balance of cash and cash equivalents at the end of the period	1,734	1,577

(4) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

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

Not applicable

(Segment Information)

[Segment Information]

First Half of Fiscal 2018 (June 1, 2018 to November 30, 2018)

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 Quarterly Consolidated Statements of Income (Note 3)
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	13,124	5,777	724	8	19,635	—	19,635
Inter-segment sales and transfers	18	0	—	295	314	(314)	—
Total	13,143	5,778	724	304	19,950	(314)	19,635
Segment profit	1,058	123	124	16	1,322	(1,446)	(124)

- 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 1,446 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of a loss of 2 million yen and corporate expenditure (a loss of 1,443 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 loss recorded under the quarterly consolidated statements of income.

First Half of Fiscal 2019 (June 1, 2019 to November 30, 2019)

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 Quarterly Consolidated Statements of Income (Note 3)
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	12,139	6,459	790	3	19,392	—	19,392
Inter-segment sales and transfers	4	0	—	272	277	(277)	—
Total	12,144	6,460	790	275	19,670	(277)	19,392
Segment profit	1,017	488	247	4	1,756	(1,454)	302

- 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 1,454 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of a loss of 0 million yen and corporate expenditure (a loss of 1,454 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.

3. Supporting Materials for the Financial Results

(1) Status of Production, Orders, and Sales

(a) Production Status

Business segment	1H Fiscal 2018 (June 1, 2018 to November 30, 2018)		1H Fiscal 2019 (June 1, 2019 to November 30, 2019)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	12,961	68.2	11,960	63.2
Industrial Systems	5,333	28.1	6,172	32.6
Information Equipment Systems	699	3.7	803	4.2
Other	—	—	—	—
Total	18,995	100.0	18,935	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 Fiscal 2018 (June 1, 2018 to November 30, 2018)		1H Fiscal 2019 (June 1, 2019 to November 30, 2019)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	11,192	21,821	12,859	23,318
Industrial Systems	7,392	8,305	6,711	7,435
Information Equipment Systems	621	425	767	678
Other	8	—	3	—
Total	19,216	30,552	20,341	31,432

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

(c) Sales Status

Business segment	1H Fiscal 2018 (June 1, 2018 to November 30, 2018)		1H Fiscal 2019 (June 1, 2019 to November 30, 2019)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Transportation Systems	13,124	66.8	12,139	62.6
Industrial Systems	5,777	29.4	6,459	33.3
Information Equipment Systems	724	3.7	790	4.1
Other	8	0.0	3	0.0
Total	19,635	100.0	19,392	100.0

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