

January 14, 2010

## Summary of Business Results for the First Half of Fiscal 2009

For the fiscal year ending May 31, 2010

Toyo Denki Seizo K.K. Stock Exchange: 1st Section of Tokyo Stock Exchange

Stock Code: 6505 URL <http://www.toyodenki.co.jp>

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Scheduled date of submission of interim financial report: January 14, 2010

Scheduled date of commencement of dividend payments: —

Note: Amounts in financial statements and the supplementary data are rounded down.

### 1. Consolidated Business Results for the First Half of Fiscal 2009

(June 1, 2009 – November 30, 2009)

#### (1) Consolidated Operating Results

(In millions of yen, except where noted; percentage figures show year-on-year growth.)

	Net Sales	Operating Income (Loss)	Ordinary Income (Loss)	Net Income (Loss)
First half, FY2009	14,919 (7.3)	(157) —	(179) —	(221) —
First half, FY2008	16,092 —	802 —	703 —	79 —

	Net Income (Loss) per Share (Yen)	Diluted Net Income per Share (Yen)
First half, FY2009	(5.03)	—
First half, FY2008	1.79	—

#### (2) Consolidated Financial Position

	Total Assets	Total Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
As of November 30, 2009	33,549	11,678	34.8	265.06
As of May 31, 2009	32,780	12,464	38.0	282.40

Reference: Shareholders' Equity As of November 30, 2009: 11,678 million yen

As of May 31, 2009: 12,464 million yen

### 2. Dividend Information

	Dividend per Share (Yen)				
	1Q	First Half	3Q	Full Fiscal Year	Annual
FY2008	—	0.00	—	6.00	6.00
FY2009	—	0.00			
FY2009 (Forecast)			—	6.00	6.00

Note: Revisions to dividend forecasts during the period under review: None

### 3. Full Fiscal Year Consolidated Forecast (June 1, 2009 - May 31, 2010)

(In millions of yen, except where noted; Percentage figures show year-on-year growth for the full fiscal year and growth compared to the same period [first half] of the previous fiscal year.)

	Net Sales	Operating Income	Ordinary income	Net Income	Net Income per Share (Yen)
Full Fiscal Year	35,000 5.3	1,300 (6.9)%	1,200 (5.1)%	600 482.2%	13.59

Note: Revisions to consolidated forecast during the period under review: None

#### 4. Other

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Application of the simplified method of accounting and accounting methods specific to the preparation of interim consolidated financial statements: Yes  
Note: Please refer to “4. Other (2)” in Qualitative Information, Financial Statements, and Other on page 4 for details.
- (3) Changes in accounting principles, procedures, and methods of presentation relating to the preparation of quarterly consolidated financial statements (recorded under Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements)
  - (a) Changes in accordance with revisions to accounting standards and related practices: Yes
  - (b) Changes other than those in (a) above: NoneNote: Please refer to “4. Other (3)” in Qualitative Information, Financial Statements, and Other on page 4 for details.
- (4) Number of shares issued and outstanding (ordinary shares)
  - (a) Number of shares issued and outstanding at end of the period (including treasury stock):  
As of November 30, 2009: 46,575,000 shares  
As of May 31, 2009: 46,575,000 shares
  - (b) Number of shares of treasury stock issued and outstanding at end of the period:  
As of November 30, 2009: 2,516,070 shares  
As of May 31, 2009: 2,436,548 shares
  - (c) Average number of shares issued and outstanding for the period:  
First half, FY2009: 44,120,750 shares  
First half, FY2008: 44,490,833 shares

#### 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. cautions readers that due to a variety of factors actual results may differ materially from forecasts. Furthermore, please refer to “3. Qualitative Information regarding Forecasts for Consolidated Business Results” in Qualitative Information, Financial Statements, and Other on page 4 for details relating to consolidated business results forecasts.

## Qualitative Information, Financial Statements, and Other

### 1. Qualitative Information regarding Consolidated Operating Results

In the first half of fiscal 2009, the fiscal year ending May 31, 2010, the future direction of the Japanese economy remained shrouded in uncertainty. Despite signs that the drop in domestic corporate-sector manufacturing activity and capital investment would bottom out, consumption remained weak amid a harsh employment environment in the throes of deflation.

Under these circumstances, the Toyo Denki Group commenced its new medium-term management plan, the “Challenge Up Plan,” from June 2009 with the aim of further enhancing the Group’s overall corporate value.

The Toyo Denki Group’s performance in the first half of fiscal 2009, the first fiscal year of the new medium-term management plan, was as follows.

- (a) Orders received increased by 8.6% year on year to 19,764 million yen. Orders for the period declined in the Industrial Systems segment, but was offset by improved orders in the Transportation Systems and Information Systems segments.
- (b) Net sales contracted 7.3% compared with the corresponding period of the previous fiscal year to 14,919 million yen. Despite an upswing in net sales for the period in the Transportation Systems segment, this overall result reflected the decrease in net sales in each of the Industrial Systems and Information Systems segments.
- (c) From a profit perspective, the substantial drop in net sales in the Industrial Systems segment had a significant impact on the Group’s earnings performance. As a result, the Toyo Denki Group incurred an operating loss of 157 million yen, a negative turnaround of 960 million yen compared with the operating income recorded in the corresponding period of the previous fiscal year. For the period under review, the Group also incurred an ordinary loss of 179 million yen, a year-on-year decrease of 882 million yen. Moreover, the net loss for the period amounted to 221 million yen. Looking at the overall nature and structure of the Group’s business activities, sales are generally concentrated in the fourth quarter of each fiscal year. As a result, consolidated operating results are impacted by seasonal factors.

Results by business segment are provided as follows.

#### *Transportation Systems Segment*

Buoyed by large-scale orders for rail vehicle electrical equipment for the Beijing subway, orders received in the Transportation Systems segment increased 28.2% year on year to 13,724 million yen. Net sales in this segment climbed 6.5% compared with the corresponding period of the previous fiscal year to 10,063 million yen. This was attributable to strong overseas sales.

#### *Industrial Systems Segment*

Orders received in the Industrial Systems segment totaled 4,543 million yen. This was a year-on-year decline of 26.7%, mainly attributable to the stagnation in corporate-sector capital investment. For the same reasons as the drop in orders received, segment net sales contracted 26.7% year on year to 4,351 million yen.

#### *Information Systems Segment*

Reflecting steady contributions from IC card-compatible equipment relating particularly to railway station operations, orders received in the Information Systems segment increased 15.6% year on year to 1,496 million yen. Net sales in this segment, on the other hand, decreased 28.0% year on year to 504 million yen.

## 2. Qualitative Information regarding Consolidated Financial Position

Total assets as of November 30, 2009 stood at 33,549 million yen, an increase of 768 million yen compared with the end of the previous fiscal year. This was mainly attributable to an upswing in inventory of 1,388 million yen as well as other movements including an increase of 316 million yen in tangible fixed assets, and despite decreases in cash and cash equivalents as well as notes and accounts receivable — trade of 744 million yen and 226 million yen, respectively, and other factors.

Total liabilities amounted to 21,870 million yen, up 1,554 million yen compared with May 31, 2009. This reflected increases in short-term borrowings of 879 million yen and advances received of 659 million yen, as well as other factors.

Net assets stood at 11,678 million yen, 786 million yen lower than the balance as of the previous fiscal year-end. Major movements were a 486 million yen decrease in retained earnings and a 228 million yen decrease in differences in evaluation of other marketable securities.

## 3. Qualitative Information regarding Forecasts for Consolidated Business Results

Looking at consolidated business results in the first half of fiscal 2009, net sales exceeded forecasts. Operating income, ordinary income and net income, on the other hand, fell below projected results. Despite the aforementioned, there are no changes to full-year forecasts of consolidated business results.

Notes:

1. Statements concerning financial results forecasts are based on data available as of the date of publication of this material and assumptions concerning the elements of uncertainty that will affect future business performance as of the date of publication of this material. Actual financial results may differ depending on a variety of factors.
2. Forward-looking statements contained in this material are the judgments of the Toyo Denki Group based on data available at the time of publication of this material. Such statements and descriptions are by no means comprehensive.

## 4. Other

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation):  
None

- (2) Application of the simplified method of accounting and accounting methods specific to the preparation of interim consolidated financial statements:

*Application of the simplified method of accounting*

*(The method for calculating corporate, local and enterprise taxes, deferred tax assets and deferred tax liabilities)*

In computing the amount of corporate, local, and enterprise taxes payable, the Company undertook certain additions and subtractions in conjunction with tax deductions with regard to important items only.

In determining the collectability of deferred tax assets, the same forecasts of results as well as the tax planning method used in the previous fiscal year are applied in the event that no significant change in operating and other conditions as well as temporary differences are confirmed since the end of the previous fiscal year.

- (3) Changes in accounting principles, procedures, and methods of presentation relating to the preparation of interim consolidated financial statements

*Changes in accordance with revisions to accounting standards and related practices*

*(Changes to the accounting standard for construction revenues and construction costs)*

Previously, the Toyo Denki Group had adopted the completed-contract method for recording construction revenues and construction costs. However, from the first quarter of the fiscal year ending May 31, 2010, the Toyo Denki Group has adopted the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan (ASBJ) Statement No. 15 of December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 of December 27, 2007). As a result, for construction projects that commenced during the first quarter of the period under review, those projects for which the outcome of the portion completed by November 30, 2009 can be reliably estimated are accounted for by the percentage-of-completion method (the rate of completion of the construction project estimated using the cost-comparison method), while other construction projects are accounted for by the completed-contract method.

Based on the aforementioned, net sales for the first half of fiscal 2009 increased 564 million yen. For the period under review, operating loss, ordinary loss and net loss before taxes each deteriorated a further 120 million yen.

## 5. Interim Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of yen)

	End of the First Half FY2009 (As of November 30, 2009)	End of the Previous Fiscal Year FY2008 (As of May 31, 2009)
<b>(Assets)</b>		
Current assets		
Cash and cash equivalents	2,223	2,967
Notes and accounts receivable — trade	8,162	8,389
Products and finished goods	3,257	2,327
Work in process	3,885	3,583
Raw materials and stored goods	2,171	2,014
Other	1,334	974
Allowance for doubtful accounts	(51)	(51)
<b>Total current assets</b>	<b>20,982</b>	<b>20,205</b>
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,603	4,609
Accumulated depreciation	(3,401)	(3,350)
Buildings and structures (net)	1,201	1,258
Machinery and equipment	5,706	5,589
Accumulated depreciation	(4,353)	(4,222)
Machinery and equipment (net)	1,352	1,367
Land	289	289
Construction work in progress	793	392
Other	2,198	2,153
Accumulated depreciation	(1,827)	(1,768)
Other (net)	371	384
<b>Total tangible fixed assets</b>	<b>4,008</b>	<b>3,692</b>
Intangible fixed assets		
Software	203	207
Other	47	36
<b>Total intangible fixed assets</b>	<b>250</b>	<b>244</b>
Investments and other fixed assets		
Investment securities	6,034	6,343
Other	2,333	2,355
Allowance for doubtful accounts	(60)	(60)
<b>Total investments and other fixed assets</b>	<b>8,307</b>	<b>8,638</b>
<b>Total fixed assets</b>	<b>12,566</b>	<b>12,575</b>
<b>Total assets</b>	<b>33,549</b>	<b>32,780</b>

(Millions of yen)

	End of the First Half FY2009 (As of November 30, 2009)	End of the Previous Fiscal Year FY2008 (As of May 31, 2009)
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable	5,348	5,315
Short-term borrowings	5,040	4,161
Current portion of corporate bonds	200	200
Income taxes payable	144	239
Consumption and other taxes payable	32	159
Accrued expenses	3,080	2,752
Advances received	1,188	528
Deposits received	243	256
Reserve for employees' bonuses	839	837
Reserve for directors' bonuses	7	15
Reserve for order losses	367	327
Other	500	394
Total current liabilities	16,993	15,188
Long-term liabilities		
Corporate bonds	580	680
Long-term borrowings	1,125	1,320
Reserve for employees' retirement benefits	2,883	2,838
Reserve for directors' retirement benefits	141	141
Long-term payables	147	147
Total long-term liabilities	4,877	5,127
Total liabilities	21,870	20,316
<b>(Net assets)</b>		
Shareholders' equity		
Common stock	4,482	4,482
Capital surplus	2,661	2,661
Retained earnings	5,175	5,661
Treasury stock	(879)	(818)
Total shareholders' equity	11,440	11,987
Evaluation and foreign currency translation adjustments		
Differences in evaluation of other marketable securities	280	509
Deferred gains or losses on hedges	(42)	(32)
Total evaluation and foreign currency translation adjustments	238	476
Total net assets	11,678	12,464
Total net assets and liabilities	33,549	32,780

## (2) Consolidated Statements of Income

(Millions of yen)

	First Half, FY2008 (June 1, 2008 to November 30, 2008)	First Half, FY2009 (June 1, 2009 to November 30, 2009)
Net Sales	16,092	14,919
Cost of sales	12,081	11,857
Gross profit	4,010	3,061
Selling, general and administrative expenses	3,207	3,219
Operating income (loss)	802	(157)
Non-operating income		
Interest received	1	0
Dividends received	61	64
Subsidy income	–	32
Miscellaneous income	29	37
Total non-operating income	92	133
Non-operating expenses		
Interest expenses	64	58
Loss on disposal of fixed assets	11	8
Loss on foreign currency exchange	97	75
Miscellaneous expenses	17	12
Total non-operating expenses	191	155
Ordinary income (loss)	703	(179)
Extraordinary income (loss)		
Loss of devaluation of investment securities	265	12
Surcharge payments	46	–
Total extraordinary expenses	311	12
Net income (loss) before taxes	391	(191)
Corporate, local and enterprise taxes	333	128
Corporate tax adjustments, etc.	(21)	(97)
Total taxes	312	30
Net income (loss)	79	(221)

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	First half, FY2008 (June 1, 2008 to November 30, 2008)	First half, FY2009 (June 1, 2009 to November 30, 2009)
Cash flows from operating activities		
Net income (loss) before taxes	391	(191)
Depreciation expenses	443	419
Increase (decrease) in allowance for doubtful accounts	12	0
Increase (decrease) in reserve for employees' bonuses	(46)	1
Increase (decrease) in reserve for employees' retirement benefits	65	44
Increase (decrease) in reserve for directors' retirement benefits	(62)	(0)
Interest and dividend income	(63)	(64)
Interest expenses	64	58
(Gain) loss on devaluation of investment securities	265	12
Decrease (increase) in notes and accounts receivable — trade	1,680	243
Decrease (increase) in inventory	(1,605)	(1,388)
Increase (decrease) in notes and accounts payable — trade	(994)	53
Increase (decrease) in accrued liabilities at time of transfer to defined contribution pension plan	(34)	(29)
Increase (decrease) in reserve for order losses	68	40
Increase (decrease) in advances received	—	659
Other	(268)	(136)
Subtotal	(83)	(275)
Interest and dividend income received	63	64
Interest paid	(68)	(63)
Payments for corporate and other taxes	(216)	(220)
Net cash used in operating activities	(304)	(494)
Cash flows from investing activities		
Funds used for the purchase of tangible fixed assets	(399)	(619)
Funds used for the purchase of investment securities	(140)	(4)
Other	(63)	115
Cash flows from investing activities	(603)	(508)
Net cash provided by financing activities		
Net increase (decrease) in short-term borrowings	1,799	943
Repayments of long-term borrowings	(230)	(245)
Redemption of bonds	(90)	(100)
Payment for the acquisition of treasury stock	(11)	(60)
Cash dividends paid	(268)	(266)
Cash flows from financing activities	1,200	270
Effect of exchange rate changes on cash and cash equivalents	2	(11)
Increase (decrease) in cash and cash equivalents	294	(744)
Balance of cash and cash equivalents at the beginning of the period	2,230	2,967
Increase (decrease) in cash and cash equivalents due to changes in the scope of consolidation	76	—
Balance of cash and cash equivalents at the end of the period	2,602	2,223



(4) Notes on Going Concern Assumptions  
The First Half of Fiscal 2009 (June 1, 2009 to November 30, 2009)  
None

(5) Notes on Significant Fluctuations in Shareholders' Equity  
The First Half of Fiscal 2009 (June 1, 2009 to November 30, 2009)  
None

(6) Segment Information

*(Segment information by business type)*

The First Half of Fiscal 2008 (June 1, 2008 to November 30, 2008)

The Toyo Denki Group is primarily engaged in the manufacture and sale of electrical equipment.

Segment information by business type has been omitted because the amounts of sales and operating income of one segment account for over 90 percent of the total sales and operating income of all segments. Furthermore, there are no other segments that fall under standard requirements for disclosure.

The First Half of Fiscal 2009 (June 1, 2009 to November 30, 2009)

The Toyo Denki Group is primarily engaged in the manufacture and sale of electrical equipment.

Segment information by business type has been omitted because the amounts of sales and operating income of one segment account for over 90 percent of the total sales and operating income of all segments. Furthermore, there are no other segments that fall under standard requirements for disclosure.

*(Segment information by geographic area)*

The First Half of Fiscal 2008 (June 1, 2008 to November 30, 2008)

Segment information by geographic area has been omitted because the amounts of sales and operating income in Japan account for over 90 percent of the total sales and operating income of all segments.

The First Half of Fiscal 2009 (June 1, 2009 to November 30, 2009)

Segment information by geographic area has been omitted because the amounts of sales and operating income in Japan account for over 90 percent of the total sales and operating income of all segments.

*(Overseas sales)*

The First Half of Fiscal 2008 (June 1, 2008 to November 30, 2008)

	Asia	Other	Total
1. Overseas sales (Millions of yen)	2,276	428	2,705
2. Consolidated net sales (Millions of yen)	–	–	16,092
3. The ratio of overseas sales to consolidated net sales (%)	14.1	2.7	16.8

Notes:

1. Countries and regions are classified according to geographical proximity.
2. The countries and regions outside of Japan included in each segment are as follows:
  - (1) Asia: China, Korea, and Pakistan
  - (2) Other: Europe, North America, Latin America and other areas
3. Overseas sales are sales to customers outside of Japan by the Company and its consolidated subsidiaries.

The First Half of Fiscal 2009 (June 1, 2009 to November 30, 2009)

	Asia	Other	Total
1. Overseas sales (Millions of yen)	2,177	935	3,113
2. Consolidated net sales (Millions of yen)	–	–	14,919
3. The ratio of overseas sales to consolidated net sales (%)	14.6	6.3	20.9

Notes:

1. Countries and regions are classified according to geographical proximity.
2. The countries and regions outside of Japan included in each segment are as follows:
  - (1) Asia: China, Korea, and Thailand
  - (2) Other: North America, Europe, and other areas
3. Overseas sales are sales to customers outside of Japan by the Company and its consolidated subsidiaries.

## 6. Status of Production, Orders, and Sales

### (1) Production

Business segment	First Half, FY2008 (June 1, 2008 to November 30, 2008)		First Half, FY2009 (June 1, 2009 to November 30, 2009)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	9,854	61.0	10,229	72.8
Industrial Systems	5,626	34.8	3,346	23.8
Information Systems	682	4.2	480	3.4
Total	16,163	100.0	14,055	100.0

Notes:

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

### (2) Orders

Business segment	First Half, FY2008 (June 1, 2008 to November 30, 2008)		First Half, FY2009 (June 1, 2009 to November 30, 2009)	
	Orders Received Millions of yen	Balance Millions of yen	Orders Received Millions of yen	Balance Millions of yen
Transportation Systems	10,704	17,907	13,724	25,548
Industrial Systems	6,200	6,134	4,543	3,700
Information Systems	1,294	1,073	1,496	1,840
Total	18,199	25,114	19,764	31,089

Notes:

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

### (3) Sales

Business segment	First Half, FY2008 (June 1, 2008 to November 30, 2008)		First Half, FY2009 (June 1, 2009 to November 30, 2009)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	9,453	58.7	10,063	67.5
Industrial Systems	5,938	36.9	4,351	29.2
Information Systems	700	4.4	504	3.4
Total	16,092	100.0	14,919	100.0

Notes:

1. Amounts are exclusive of consumption and other taxes.
2. The Toyo Denki Group's consolidated operating results are affected by seasonal factors. In connection with the Group's overall business segment composition, sales are generally concentrated in the fourth quarter.