



Our Heart and Technology for the Future

# **Financial Results Briefing**

## **Fiscal 2007 (Ended May 2008)**

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**July 17, 2008**

**Teruyuki Oosawa, President  
Toyo Denki Seizo K.K.**

# 90th Anniversary

Toyo Denki was established in 1918 with the intention of producing electrical equipment for railroad rolling stock in Japan.

With the motor drive technology that the company has developed since its founding at the core of its competitive advantage, Toyo Denki is addressing the challenges of making the next generation of high-speed railroads and the recycling society a reality. The company has also been working aggressively to expand overseas to grow its business.

Toyo Denki marked the 90th anniversary of its founding on June 20, 2008.



# Program

## **President's Briefing: About 25 minutes**

- 1. Overview of Financial Results for Year Ended May 2008**
- 2. Outlook for Financial Results for Year Ended May 2009**
- 3. Status and Strategies, by Business Segment**
- 4. Other**

## **Q&A: About 30 minutes**

# 1. Overview of Financial Results for Year Ended May 2008

## 1-1. Overview of Consolidated Financial Results

(Unit: Million yen)

	Fiscal 2006	Fiscal 2007	Year-on year change	Notes
<b>Orders received</b>	37,649	38,873	+1,224	Transportation Business performed strongly
<b>Net sales</b>	36,571	38,130	+1,559	Transportation Business performed strongly, Industrial Systems was flat
<b>Operating income</b>	1,928	1,391	-537	
%	5.3%	3.6%		
<b>Ordinary income</b>	1,967	1,197	-770	
%	5.4%	3.1%		
<b>Net income</b>	(151)	532	+683	401K special loss not posted
%	—	1.4%		
<b>Net income per share (yen)</b>	(3.33)	11.84	+15.17	

Note: % indicates ratio to net sales.

# 1. Overview of Financial Results for Year Ended May 2008

## 1-2. Overview of Non-Consolidated Financial Results

(Unit: Million yen)

	Fiscal 2006	Fiscal 2007	Year-on year change	Notes
<b>Orders received</b>	31,663	32,963	+1,300	Transportation Business performed strongly
<b>Net sales</b>	30,755	32,283	+1,528	Transportation Business performed strongly, Industrial Systems was flat
<b>Operating income</b>	1,074	315	-759	
%	3.5%	1.0%		
<b>Ordinary income</b>	1,336	392	-944	
%	4.3%	1.2%		
<b>Net income</b>	(288)	200	+488	401K special loss not posted
%	—	0.6%		
<b>Net income per share (yen)</b>	(6.34)	4.46	+10.80	

Note: % indicates ratio to net sales.

# 1. Overview of Financial Results for Year Ended May 2008

## 1-3. Consolidated Financial Position

### Comparative Consolidated Statement of Financial Position

(Unit: Million yen)

	May 31, 2007	May 31, 2008	Year-on-year change	Notes
<b>Total assets</b>	<b>35,763</b>	<b>35,371</b>	<b>-392</b>	
Current assets	20,837	21,705	+867	
Fixed assets	14,926	13,665	-1,260	
<b>Total liabilities</b>	<b>21,009</b>	<b>21,641</b>	<b>+632</b>	
Of which, interest bearing debt	4,725	5,505	+780	
<b>Net assets</b>	<b>14,754</b>	<b>13,729</b>	<b>-1,025</b>	Aggregate market value of securities declined
<b>Equity ratio</b>	<b>41.3%</b>	<b>38.8%</b>	—	Acquisition of treasury stock
Net assets per share (yen)	324.79	308.51	-16.28	

# 1. Overview of Financial Results for Year Ended May 2008

## 1-4. Factors in Change of Consolidated Operating Income

Factor	Details	Notes
Revenue growth	(1) Transportation Business: Up 500 million yen (2) Information Systems: Down 300 million yen	
Gross profit	(1) Soaring raw materials prices (2) Increase in projects requiring new design work	(1) No progress in passing costs along in product prices
Manufacturing efficiency	(1) Disruptions in Transportation Business manufacturing processes in 1Q and 2Q (2) Brought back on track in mid-2Q	

## 2. Outlook for Full Year Financial Results for Year Ending May 2009

### 2-1. Order Environment

	Comments
<b>Market overall</b>	<p>Sub-prime loan problem has hurt the U.S. economy and the effects are spilling over into the global economy</p> <p>No progress in passing soaring raw materials costs along in product prices</p> <p>Emergence of a cautious attitude toward capital investment</p>
<b>Transportation Business</b>	<p>(1) Environmental issues lent momentum</p> <p>(2) Domestic market solid for time being</p> <p>(3) Overseas, need for development of urban transportation networks is strong, especially in China</p>
<b>Industrial Systems</b>	<p>(1) Deteriorating economic conditions brought restraint in capital investment.</p> <p>(2) Trend of structural decline for social infrastructure</p>
<b>Information Systems</b>	<p>(1) Market expanding in medium to long term with IC card adaptations</p>

## 2. Outlook for Full Year Financial Results for Year Ending May 2009

### 2-2. Consolidated Forecast

(Unit: Million yen)

	Fiscal 2007	Fiscal 2008	Year-on-year change	Notes
<b>Orders received</b>	38,873	44,000	+5,127	Increase in Industrial Systems sector is expected
<b>Net sales</b>	38,130	40,000	+1,870	
<b>Operating income</b>	1,391	2,000	+609	
%	3.6%	5.0%		
<b>Ordinary income</b>	1,197	1,800	+603	
%	3.1%	4.5%		
<b>Net income</b>	532	900	+368	
%	1.4%	2.3%		
<b>Net income per share (yen)</b>	11.84	20.22	+8.38	

Note: % indicates ratio to net sales.

## 2. Outlook for Full Year Financial Results for Year Ending May 2009

### 2-3. Non-consolidated Forecast

(Unit: Million yen)

	Fiscal 2007	Fiscal 2008	Year-on-year change	Notes
<b>Orders received</b>	32,963	38,000	+5,037	Increase in Industrial Systems sector is expected
<b>Net sales</b>	32,283	34,000	+1,717	
<b>Operating income</b>	315	1,200	+885	
<b>%</b>	1.0%	3.5%		
<b>Ordinary income</b>	392	1,400	+1,008	
<b>%</b>	1.2%	4.1%		
<b>Net income</b>	200	700	+500	
<b>%</b>	0.6%	2.1%		
<b>Net income per share (yen)</b>	4.46	15.73	+11.27	

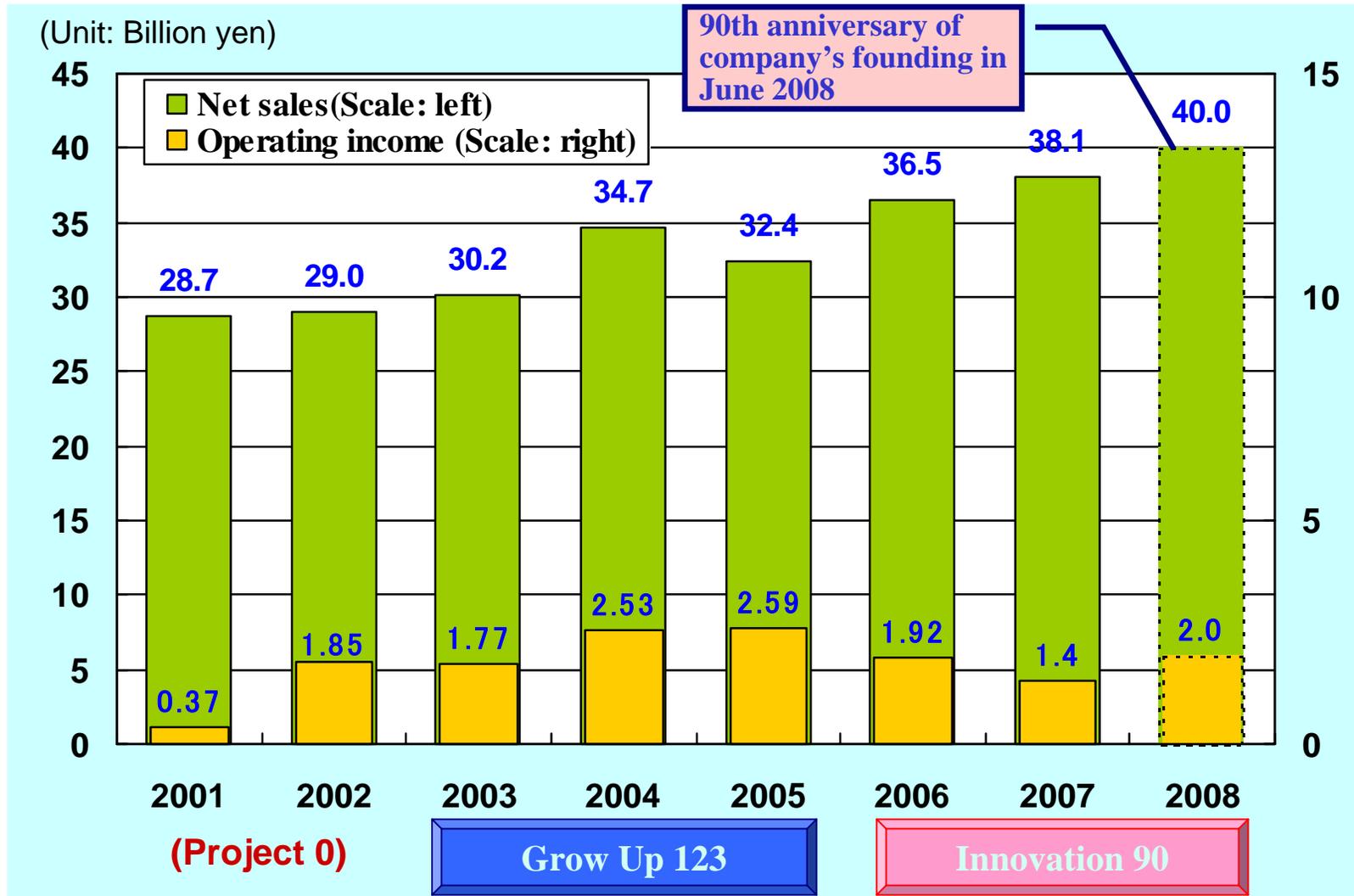
Note: % indicates ratio to net sales.

## 2. Outlook for Full Year Financial Results for Year Ending May 2009

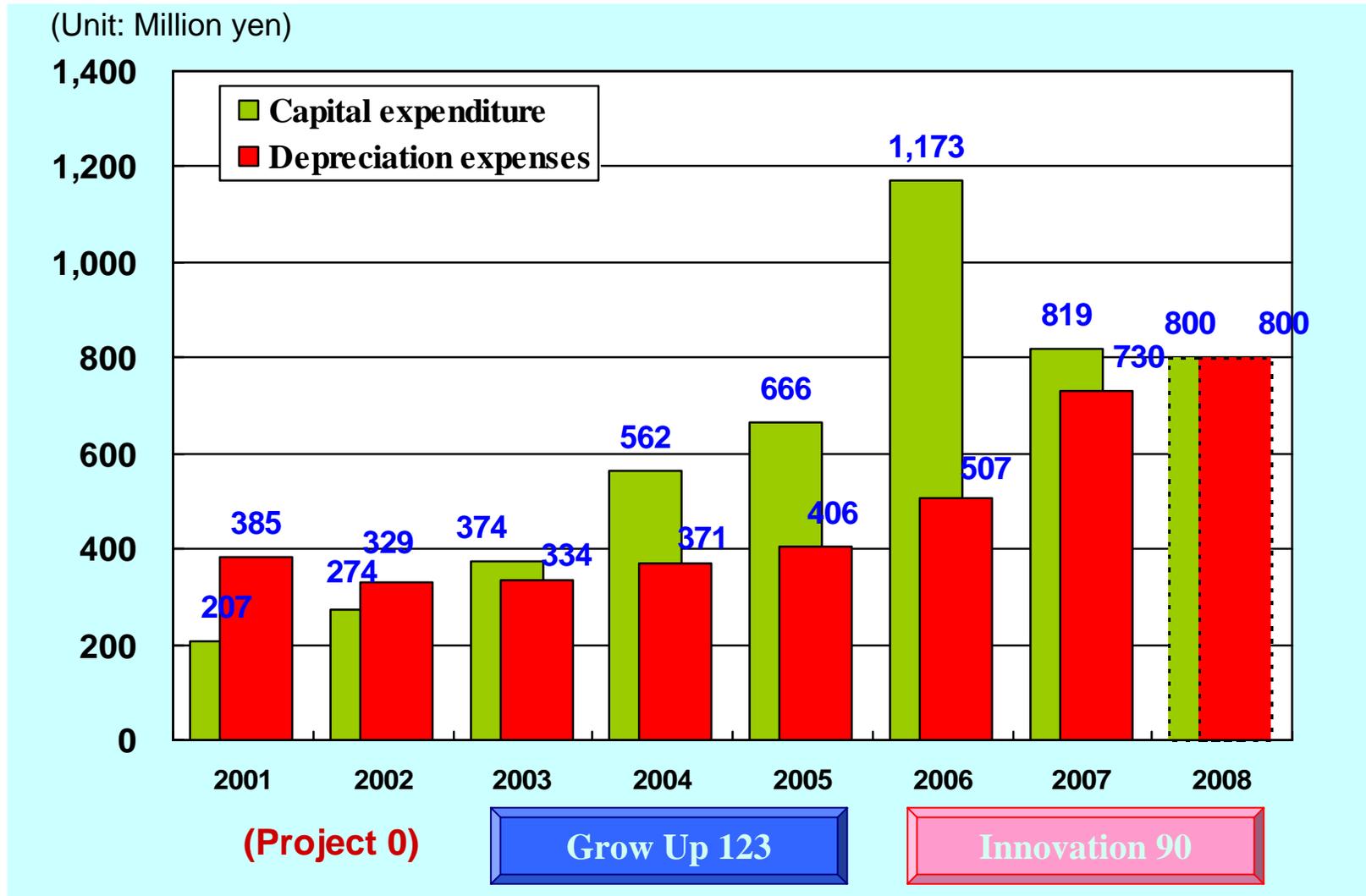
### 2-4. Anticipated Factors in Change of Consolidated Operating Income

Factor	Trend	Details
Revenue growth	Positive	Industrial Systems up 500 million yen, Information Systems down 100 million yen
Improvement in gross profit	Positive Negative	(1) Projects requiring new design investment in a lull (2) Soaring raw materials prices
Manufacturing efficiency	—	Maintain present levels of efficiency
Selling, general and administrative expenses	Negative Negative	(1) Growth in personnel costs related to anticipatory investment (2) Higher development costs

## Reference: Changes in Consolidated Net Sales and Operating Income

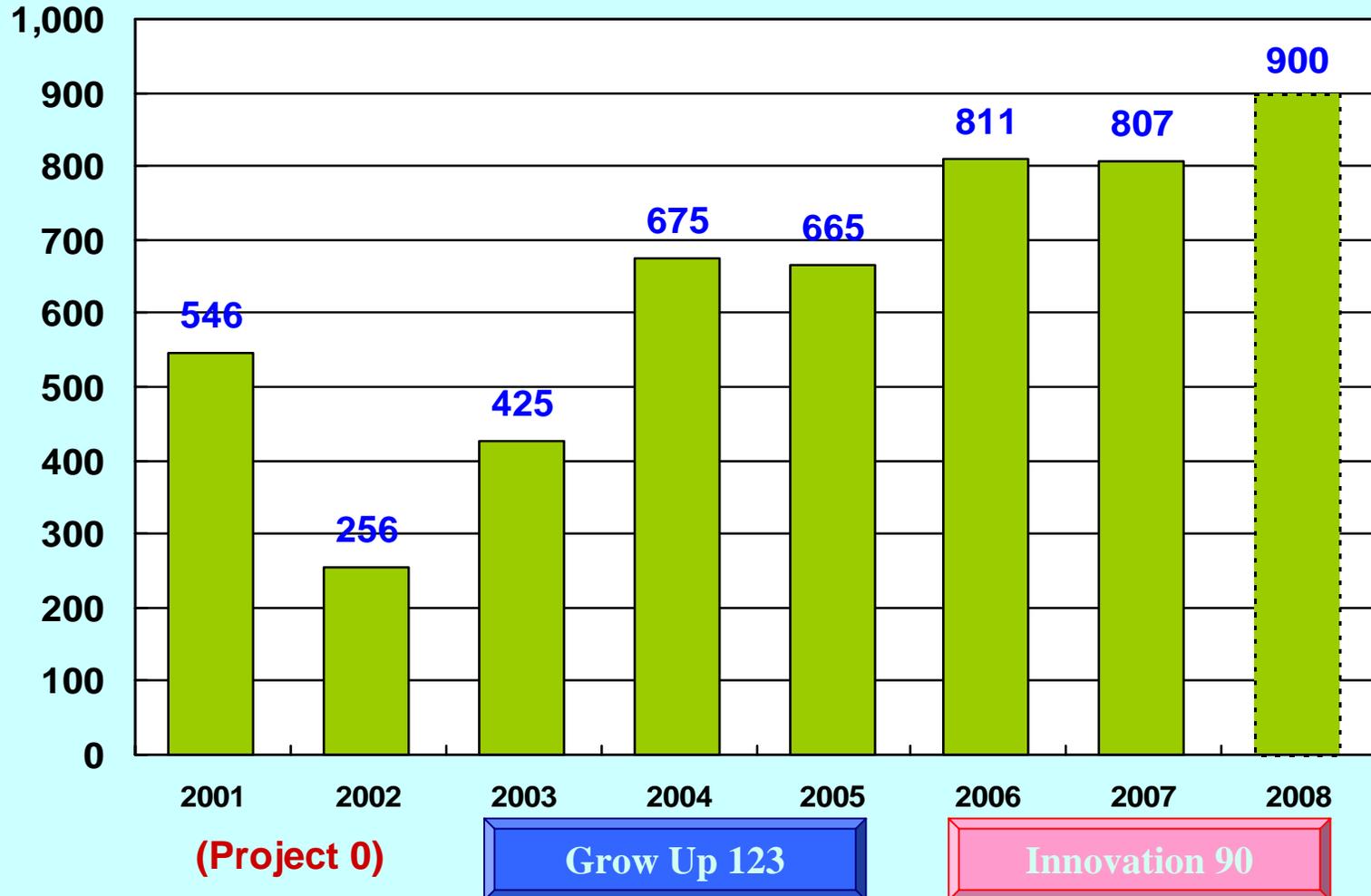


## Reference: Changes in Consolidated Capital Expenditure and Depreciation Expenses

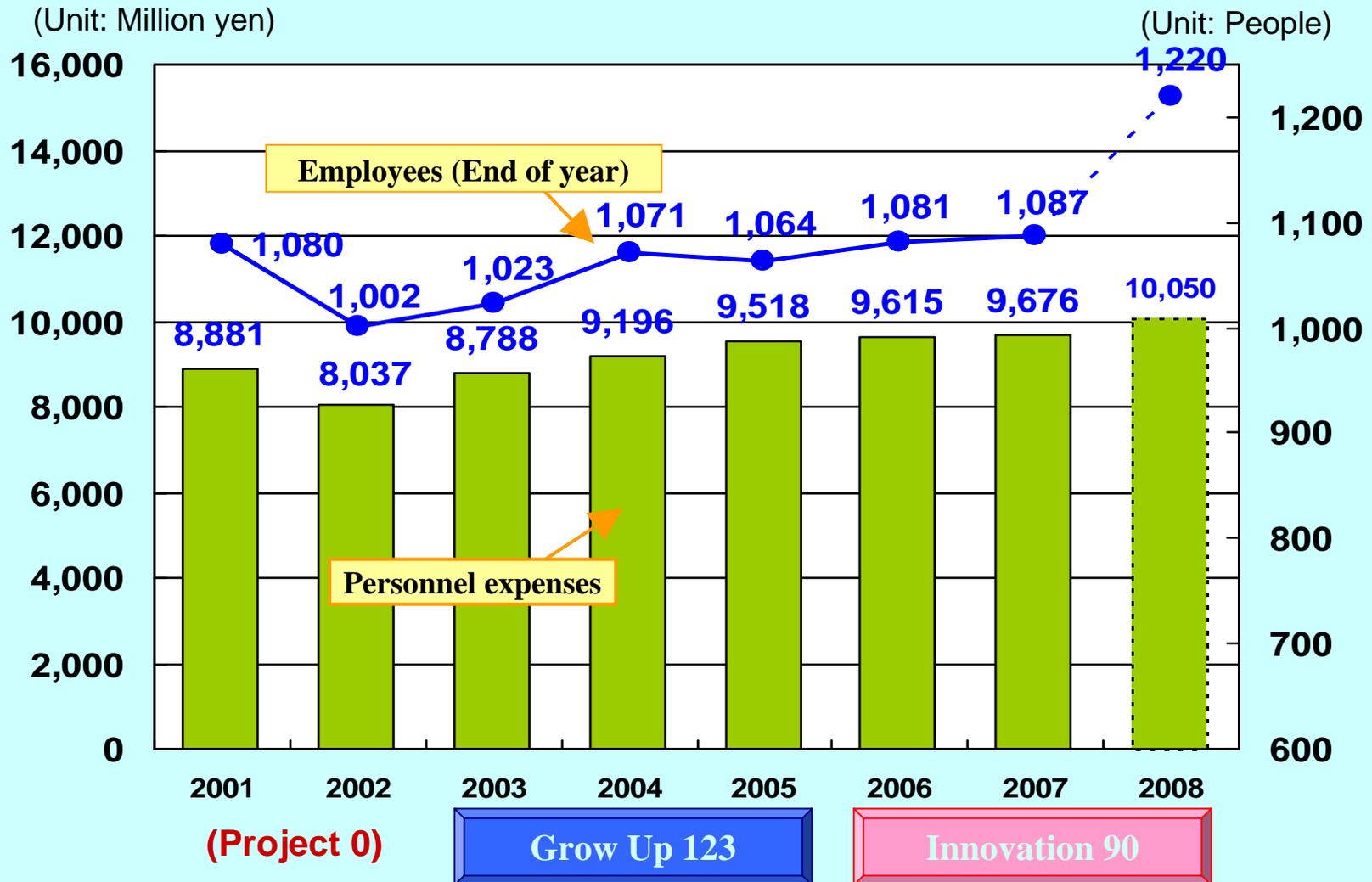


## Reference: Changes in Consolidated Research and Development Expenses

(Unit: Million yen)



## Reference: Changes in Consolidated Personnel Expenses and Number of Employees



### 3. Status and Strategies, by Business Segment

#### 3-1. Transportation Business Segment

##### (a) Consolidated financial results for year ended May 2008

(Unit: Million yen)

	Fiscal 2006	Fiscal 2007	Year-on-year change
Orders received	18,900	21,932	+3,032
Net sales	17,229	19,781	+2,552
Operating income	514	544	+30
%	3.0%	2.8%	

Note: % indicates ratio to net sales.

##### Analysis of factors in year-on-year change

**Orders received:** Non-JR private railways and overseas were strong, orders for Chengdu subway

**Net sales:** Domestic was solid

**Operating income:**

**Positive factors:** Growth in revenues and improved manufacturing efficiency

**Negative factors:** Soaring raw materials prices; increase in projects requiring new design work together with falling sales prices

##### (b) Forecast for consolidated financial results for year ending May 2009

(Unit: Million yen)

	Fiscal 2008	Year-on-year change
Orders received	21,000	-932
Net sales	20,000	+219
Operating income	1,000	+456
%	5.0%	

Note: % indicates ratio to net sales.

##### Plans and strategies for year ending May 2009

**Orders received:** Generally flat, domestic to remain solid

**Net sales:** Slight increase

**Operating income:**

**Positive factors:** Projects requiring new design investment in a lull

**Negative factors:** Soaring raw materials prices

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## 3. Status and Strategies, by Business Segment

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### 3-1. Transportation Business Segment

#### (1) Received order for electrical equipment for high-speed cars for the Keisei Electric Railway's Narita New Rapid Line

- Keisei Electric Railway is developing a new type AE Skyliner railway car in anticipation of the fiscal 2012 (forecast) commencement of operations of the Narita New Rapid Line
- These cars will travel the new access route at a maximum speed of 160 km per hour, traveling from Nippori Station to Airport Terminal 2 Station in only 36 minutes
- Received order for control units, traction motors, drive gear units, and pantographs



### 3. Status and Strategies, by Business Segment

#### 3-1. Transportation Business Segment

##### (2) Keihan Electric Railway's new type-3000 railway cars (cars that continue onto the Nakanoshima Line) scheduled to commence operations

- Completed 48 new type-3000 cars, for use on six trains that will continue onto the Nakanoshima Line schedule to open on October 19, 2008
- Received order for all electrical equipment, including control units, traction motors, auxiliary power supply apparatus, drive gear units, pantographs, monitoring devices, etc.



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## 3. Status and Strategies, by Business Segment

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### 3-1. Transportation Business Segment

#### (3) Beijing Subway Olympic Line Number 10 commences operations

- Beijing Subway Olympic Line Number 10 (providing access to the Olympic compound, for which Toyo Denki received the contract in 2005) is in the final phase of test operations, preparing for the scheduled July 20 commencement of commercial operations

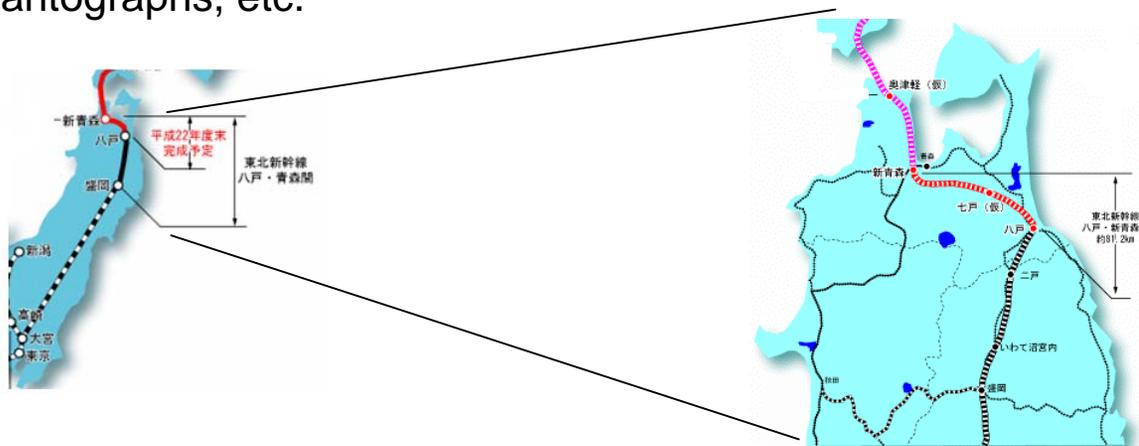


### 3. Status and Strategies, by Business Segment

#### 3-1. Transportation Business Segment

#### (4) Received order for electrical equipment for JR East E5 Series Shinkansen (bullet train) cars

- In preparation for the opening of Tohoku Shinkansen Shin-Aomori Station, JR East is working to complete a next-generation Shinkansen car capable of speeds up to 320 kilometers per hour by 2009
- Aiming for high speeds, comfort, and noise reduction
- This line is expected to greatly reduce travel time between the Tokyo metropolitan area, the Tohoku region, and Hokkaido
- Toyo Denki received order for traction motors, drive gear units, auxiliary power supply apparatus, pantographs, etc.



### 3. Status and Strategies, by Business Segment

#### 3-1. Transportation Business Segment

##### (5) Aiming for low energy consumption



#### E<sup>3</sup> Solution System

Introduced trolley voltage compensation system for streetcars



Toyo Denki supplied converter units, drive inverter units, auxiliary power supply apparatus, gear units, traction motors, and pantographs for the hybrid light rail vehicle (LRV) unveiled by the Railway Technical Research Institute

### 3. Status and Strategies, by Business Segment

#### 3-1. Transportation Business Segment

##### (6) Changzhou Ruiyang Transmission Technology Co., Ltd., plant commenced operations in January 2008

- Expanded gear unit production capacity
- Toyo Denki's Chinese subsidiaries have entered the market independently, working on subway projects in Tianjin and Guangzhou



**Gear unit**



**New plant in operation in January 2008**

### 3. Status and Strategies, by Business Segment

#### 3-2. Industrial Systems Segment

(a) Consolidated financial results for year ended May 2008

(Unit: Million yen)

	Fiscal 2006	Fiscal 2007	Year-on-year change
Orders received	16,686	14,623	-2,063
Net sales	15,690	15,901	+211
Operating income	1,002	798	-204
%	6.4%	5.0%	

Note: % indicates ratio to net sales.

##### Analysis of factors in year-on-year change

**Orders received:** Declined as a result of contracting capital investment

**Net sales:** Flat

**Operating income:**

**Positive factors:** Improved manufacturing efficiency

**Negative factors:** Lower gross profit ratio

★ Orders received and net sales lagged behind forecasts

(b) Forecast for consolidated financial results for year ending May 2009

(Unit: Million yen)

	Fiscal 2008	Year-on-year change
Orders received	21,000	+6,377
Net sales	18,000	+2,099
Operating income	1,000	+202
%	5.6%	

Note: % indicates ratio to net sales.

##### Plans and strategies for year ending May 2009

**Orders received:** Focus on testing equipment for automotive development.

**Net sales:** Increase as a result of growth in orders received

**Operating income:**

**Positive factors:** Revenue growth

**Negative factors:** Soaring raw materials prices; increase in selling, general and administrative expenses

### 3. Status and Strategies, by Business Segment

#### 3-2. Industrial Systems Segment

(1) At the Hannover Messe 2008 in Germany (April 21 - 25, 2008), Toyo Denki displayed demonstration models of its VF62CE, VF64, and VF66B inverters, and its ED motor (IPM Synchronous motor)



### 3. Status and Strategies, by Business Segment

#### 3-2. Industrial Systems Segment

(2) Newly developed Intelligent Inverter VF66 Series, which brings together several motor drive technologies, went on sale in January 2008



**VF66 inverter**

#### Features of VF66 Series

- (1) Operation of ED motor (IPM synchronous motor), inverter motor or general purpose motor possible
- (2) Control options from V/f control, sensorless vector control, and vector control with sensor also possible
- (3) Achieves substantial CO<sub>2</sub> reduction and energy conservation when combined with ED motor
- (4) Inverter easily customized with PLC containing variety of functions
- (5) Reduction in maintenance costs due to use of long life components
- (6) Design and adjustment possible using PC
- (7) Compatible with all kinds of open networks

### 3. Status and Strategies, by Business Segment

#### 3-3. Information Systems Segment

(a) Consolidated financial results for year ended May 2008

(Unit: Million yen)

	Fiscal 2006	Fiscal 2007	Year-on-year change
Orders received	2,063	2,318	+225
Net sales	3,650	2,447	-1,203
Operating income	412	49	-363
%	11.3%	2.0%	

Note: % indicates ratio to net sales.

##### Analysis of factors in year-on-year change

**Orders received:** Station operating system IC compatible equipment was solid

**Net sales:** PASMO, Suica related equipment in the Tokyo metropolitan area settled for the time being

**Operating income:**

**Positive factors:** No significant factors

**Negative factors:** The effect of revenue contraction was a decline of 300 million yen; manufacturing efficiency worsened

(b) Forecast for consolidated financial results for year ending May 2009

(Unit: Million yen)

	Fiscal 2008	Year-on-year change
Orders received	2,000	-318
Net sales	2,000	-447
Operating income	0	-49
%	0.0%	

Note: % indicates ratio to net sales.

##### Plans and strategies for year ending May 2009

**Orders received:** Station operating system IC compatible equipment solid

**Operating income:**

**Positive factors:** Improvements in manufacturing efficiency

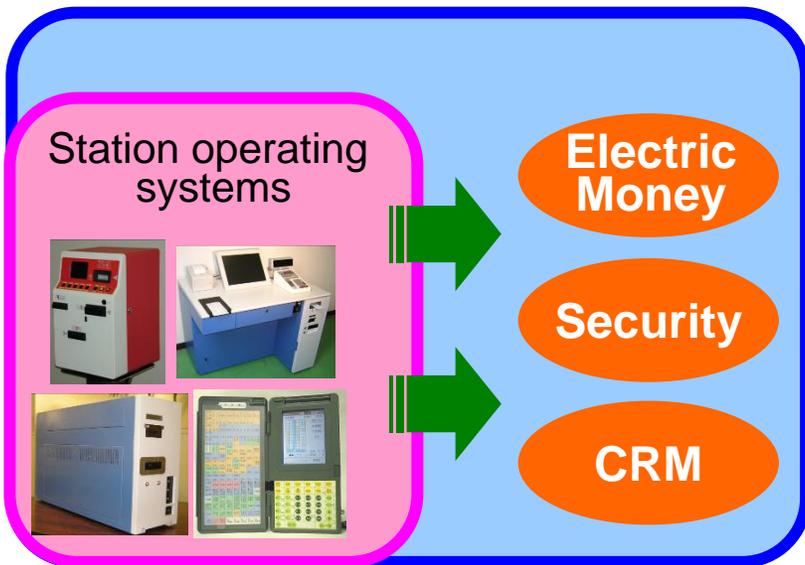
**Negative factors:** Due to the effect of revenue contraction, a decline of 100 million yen

### 3. Status and Strategies, by Business Segment

#### 3-3. Information Systems Segment

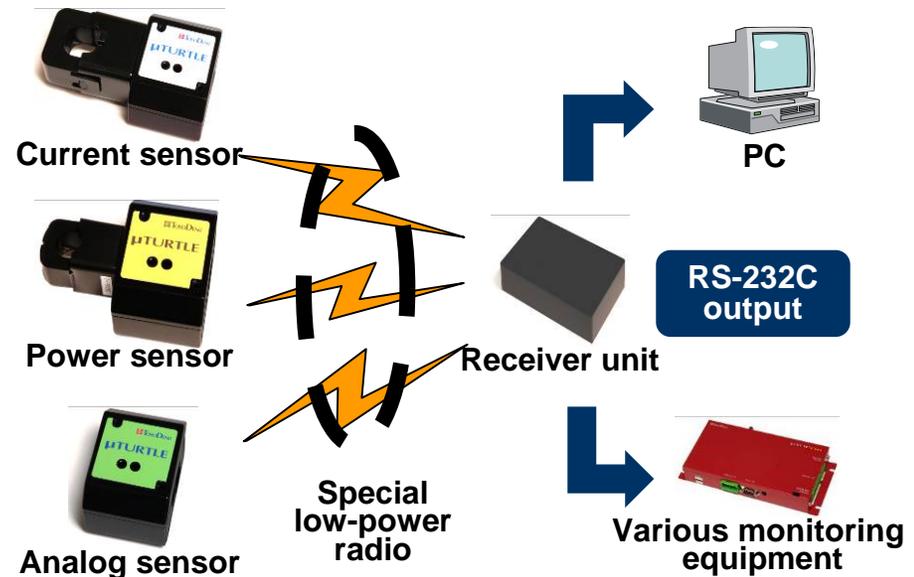
##### (1) Growth in the IC-card-related business

- ◆ Response to the nationwide adoption of IC train tickets
- ◆ Entry into other fields by finding new applications for station operation equipment



##### (2) Commenced sales of radio facility data collection system

- ◆ Batteryless, wireless
- ◆ Possible application in measuring energy-saving effects

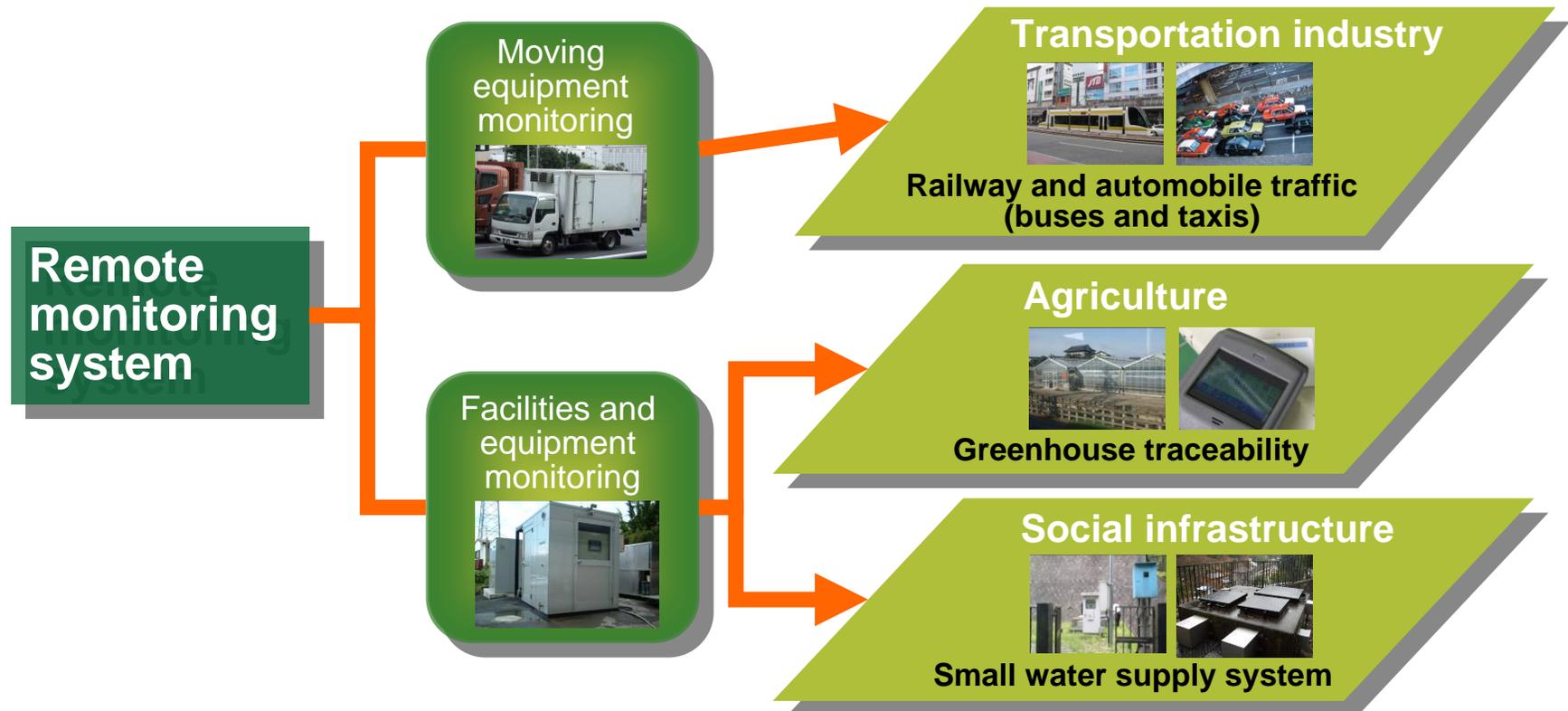


### 3. Status and Strategies, by Business Segment

#### 3-3. Information Systems Segment

##### (3) Aggressive pursuit of growth in the remote monitoring business

- ◆ Energetically expanding the market on the basis of performance to date



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## 4. Other

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### 4-1. Corporate Social Responsibility

In November 2007, the Toyo Denki Group asked each employee for CSR ideas, to give each person a chance to take more initiative. From the more than 200 submissions, the following activities have been launched.

Fiscal 2007:

■ Distributed environmental housekeeping books (May 2008)

To promote household energy conservation, distributed Toyo Denki's original environmental housekeeping book to Toyo Denki Group employees

Fiscal 2008:

■ PR for CSR activities (from June 2008)

Providing information on CSR activities in our main businesses, environmental initiatives, and social contribution programs on Toyo Denki's redesigned Web page

■ Hold plant tours for railway research associations (July and August 2008)

To promote understanding of Toyo Denki's principal activities and products, railway research associations from five Tokyo metropolitan area universities will be invited for plant tours

## 4. Other

### 4-2. Overseas Sales

- (1) The overseas sales ratio rose, but the goal by end fiscal 2008 is to bring it back up to 15%
- (2) Toyo Denki will continue to aggressively enter markets in urban transportation in China and the U.S. and electricity generation in Asia

(Unit: Million yen)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Overseas sales	3,723	5,387	4,986	4,117	5,061
Consolidated sales	30,175	34,668	32,454	36,571	38,130
Overseas sales as proportion of consolidated sales (%)	12.3	15.5	15.4	11.3	13.3

## 4. Other

### 4-3. Dividends

- (1) Toyo Denki's fundamental policy calls for a stable dividend
- (2) In addition to strategic allocation to research and development, capital expenditure, and overseas expansion with the objectives of future business expansion and strengthening of the management base, internal reserves are used to strengthen the company's financial position

(Unit: Yen)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008
Annual dividend per share	3.00	5.00	6.00	6.00	6.00	6.00

(Forecast)

Note: Toyo Denki holds approximately 4.4% of its common stock issued and outstanding.