



Our Heart and Technology for the Future

# Financial Results Briefing

## First Half of Fiscal 2008 (Ended November 2008)

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**January 20, 2009**  
**Teruyuki Oosawa, President**  
**Toyo Denki Seizo K.K.**

# Program

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

1. Overview of Financial Results for the First Half of Fiscal 2008
2. Outlook for Full Year Financial Results for Fiscal 2008
3. Status of Individual Business Segments
4. Other Topics

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

# 1. Overview of Financial Results for the First Half of Fiscal 2008

## 1-1. Overview of Consolidated Financial Results

(Unit: Million yen)

	1H/FY2007	1H/FY2008	YoY change	Notes
Orders received	21,603	18,199	-3,404	Decrease in the Industrial Systems segment
Net sales	16,922	16,092	-830	Robust results in the Transportation Business, decline in the Industrial Systems segment
Operating income	(43)	802	+845	Improvements in manufacturing efficiency
%	-	5.0%		
Ordinary income	(154)	703	+857	
%	-	4.4%		
Net income	(452)	79	+531	Loss on devaluation of investment securities incurred
%	-	0.5%		
Net income per share (yen)	(9.98)	1.79	+11.77	

Note: % indicates ratio to net sales.

# 1. Overview of Financial Results for the First Half of Fiscal 2008

## 1-2. Orders Received, Sales, and Operating Income by Business Segment

(Unit: Million yen)

		Transportation Business	Industrial Systems	Information Systems	Total
Orders received	1H/FY2007	11,900	8,463	1,239	21,603
	1H/FY2008	10,704	6,200	1,294	18,199
Sales	1H/FY2007	8,941	7,353	628	16,922
	1H/FY2008	9,453	5,938	700	16,092
Operating income	1H/FY2007	(208)	304	(139)	(43)
	1H/FY2008	946	(24)	(118)	802

# 1. Overview of Financial Results for the First Half of Fiscal 2008

## 1-3. Factors Contributing to Changes in Consolidated Operating Income (YoY)

Factor	Details
Drop in revenue	Industrial Systems: Down 400 million yen
Improvements in gross profit	Decrease in Transportation Business projects requiring new design work
Manufacturing efficiency	(1) Transportation Business: Up 400 million yen (2) Decline attributable to the drop in Industrial Systems sales

# 1. Overview of Financial Results for the First Half of Fiscal 2008

## 1-4. Consolidated Financial Position

### Comparative Consolidated Statement of Financial Position

(Unit: Million yen)

	Nov. 30, 2007	Nov. 30, 2008	YoY change	May 31, 2008
Total assets	35,032	34,775	-257	35,371
Current assets	20,364	21,927	+1,563	21,705
Fixed assets	14,667	12,847	-1,820	13,665
Total liabilities	21,509	21,842	+333	21,641
Of which, interest bearing debt	5,825	6,984	+1,159	5,505
Net assets	13,523	12,932	-591	13,729
Equity ratio	38.6%	37.2%	-	38.8%
Net assets per share (yen)	301.11	290.79	-10.32	308.51

## 2. Outlook for Full Year Financial Results for Fiscal 2008

### 2-1. Consolidated Forecast

(Unit: Million yen)

	FY2007	FY2008 Previous forecast	FY2008 Revised forecast	Net Change
Orders received	38,873	44,000	38,000	-6,000
Net sales	38,130	40,000	35,000	-5,000
Operating income	1,391	2,000	1,800	-200
%	3.6%	5.0%	5.1%	
Ordinary income	1,197	1,800	1,600	-200
%	3.1%	4.5%	4.6%	
Net income	532	900	500	-400
%	1.4%	2.3%	1.4%	
Net income per share (yen)	11.84	20.22	11.24	-8.98

Note: % indicates ratio to net sales.

## 2. Outlook for Full Year Financial Results for Fiscal 2008

### 2-2. Orders Received, Sales, and Operating Income by Business Segment

(Unit: Million yen)

		Transportation Business	Industrial Systems	Information Systems	Total
Orders received	FY2007	21,932	14,623	2,318	38,873
	FY2008 forecast	21,000	15,000	2,000	38,000
Sales	FY2007	19,781	15,901	2,447	38,130
	FY2008 forecast	20,000	13,000	2,000	35,000
Ordinary income	FY2007	544	798	49	1,391
	FY2008 forecast	1,600	200	0	1,800



## 2. Outlook for Full Year Financial Results for Fiscal 2008

### 2-3. Order Environment

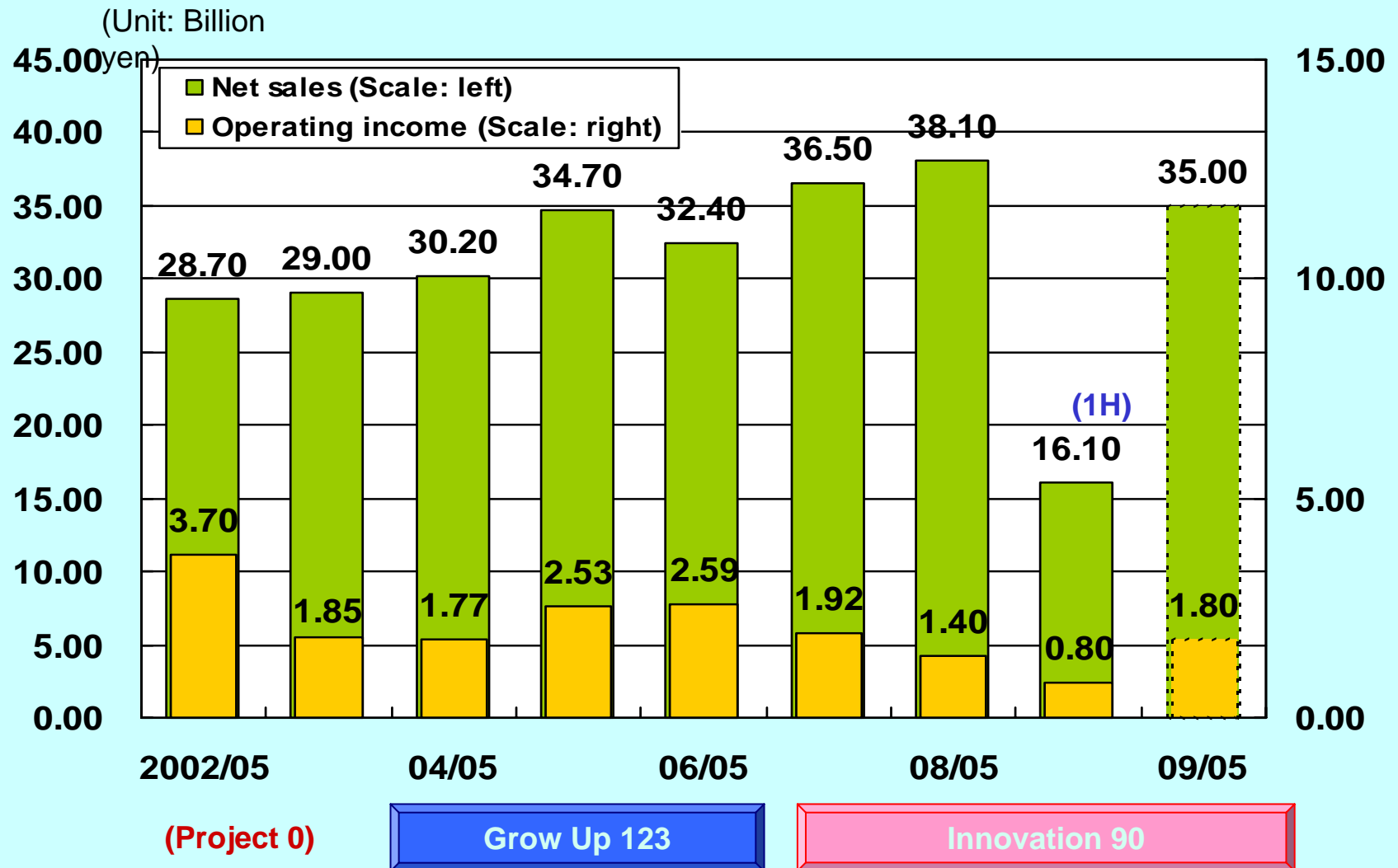
	Comments
Market overall	<ul style="list-style-type: none"> <li>(1) The financial crisis continues to negatively impact economic conditions in the United States, seriously affecting the global economy</li> <li>(2) Substantial drop in corporate sector sales prompting a cautious approach toward capital investment</li> <li>(3) Downturn in Japan's international price competitiveness due to appreciation in the value of the yen</li> </ul>
Transportation Business	<ul style="list-style-type: none"> <li>(1) The domestic market remains solid</li> <li>(2) Fueled by such favorable conditions as the growing recognition and concern toward environmental issues, strong growth in overseas demand for urban transportation network development, particularly in China</li> </ul>
Industrial Systems	<ul style="list-style-type: none"> <li>(1) Substantial drop in corporate sector sales rapidly prompting a cautious approach toward capital investment</li> <li>(2) Across-the-board decline encompassing all segments</li> </ul>
Information Systems	<ul style="list-style-type: none"> <li>(1) Market expanding in medium to long term with IC card adaptations</li> </ul>

## 2. Outlook for Full Year Financial Results for Fiscal 2008

### 2-4. Factors Contributing to Changes in Consolidated Operating Income (YoY)

Factor	Details
Drop in revenue	Industrial Systems: Down 200 million yen Information Systems: Down 100 million yen
Improvements in gross profit	(1) Decrease in Transportation Business projects requiring new design work (2) Slowdown in the sharp upward trend in raw material prices
Manufacturing efficiency	(1) Transportation Business: Up 200 million yen (2) Industrial Systems: Down 200 million yen (Drop in work volume) (3) Information Systems: Up 100 million yen

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



## Reference: Trends in Overseas Sales (Consolidated)

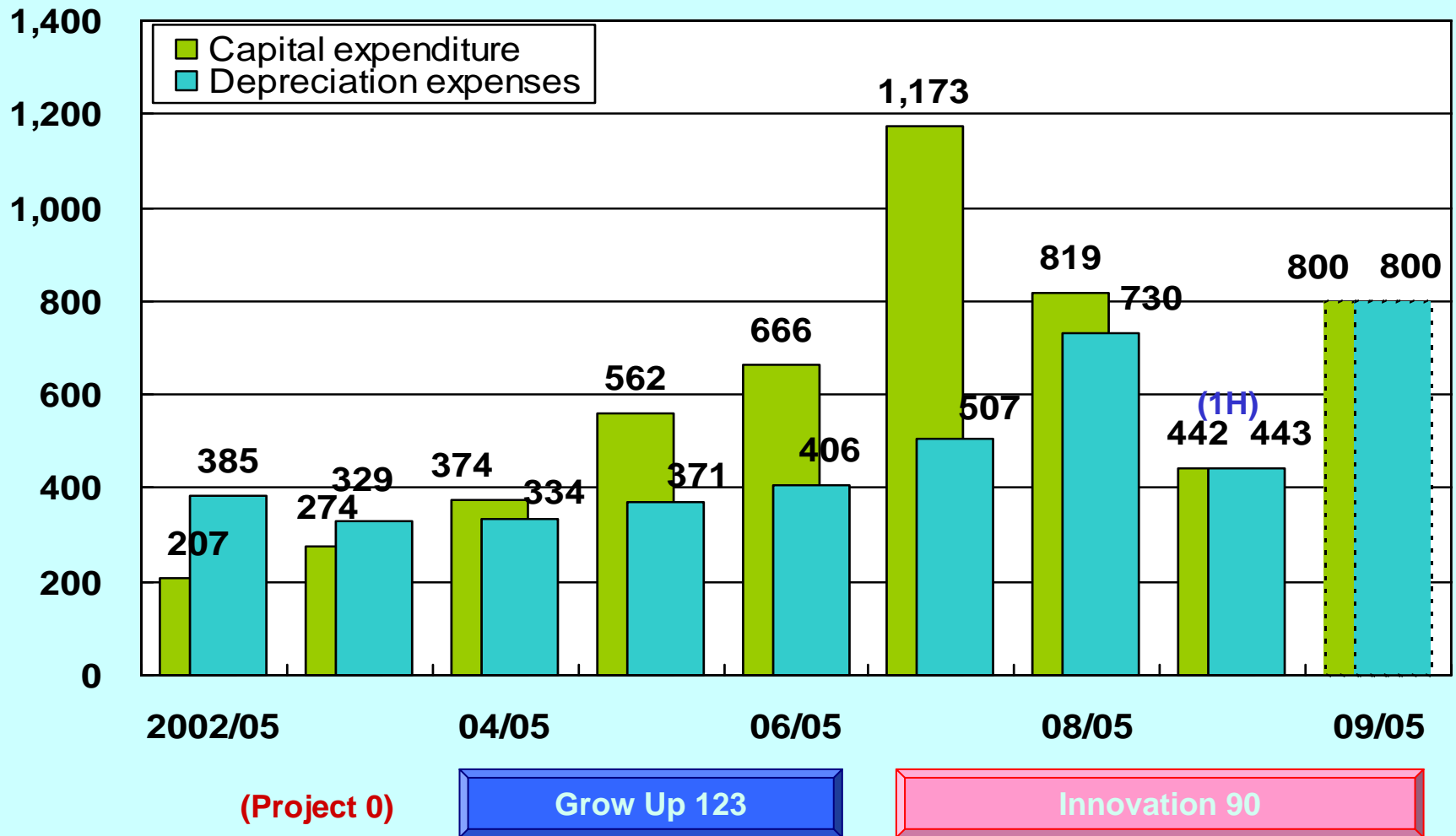
- (1) Overseas sales share target: 15% or more by the end of fiscal 2008
- (2) Toyo Denki will continue to aggressively enter markets in urban transportation in China and the United States and the power generating equipment markets of Asia

(Unit: Million yen)

	FY2004	FY2005	FY2006	FY2007	1H/FY2008
Overseas sales	3,723	5,387	4,986	4,117	2,705
Consolidated sales	30,175	34,668	32,454	36,571	16,092
Overseas sales as proportion of consolidated sales (%)	12.3	15.5	15.4	11.3	16.8

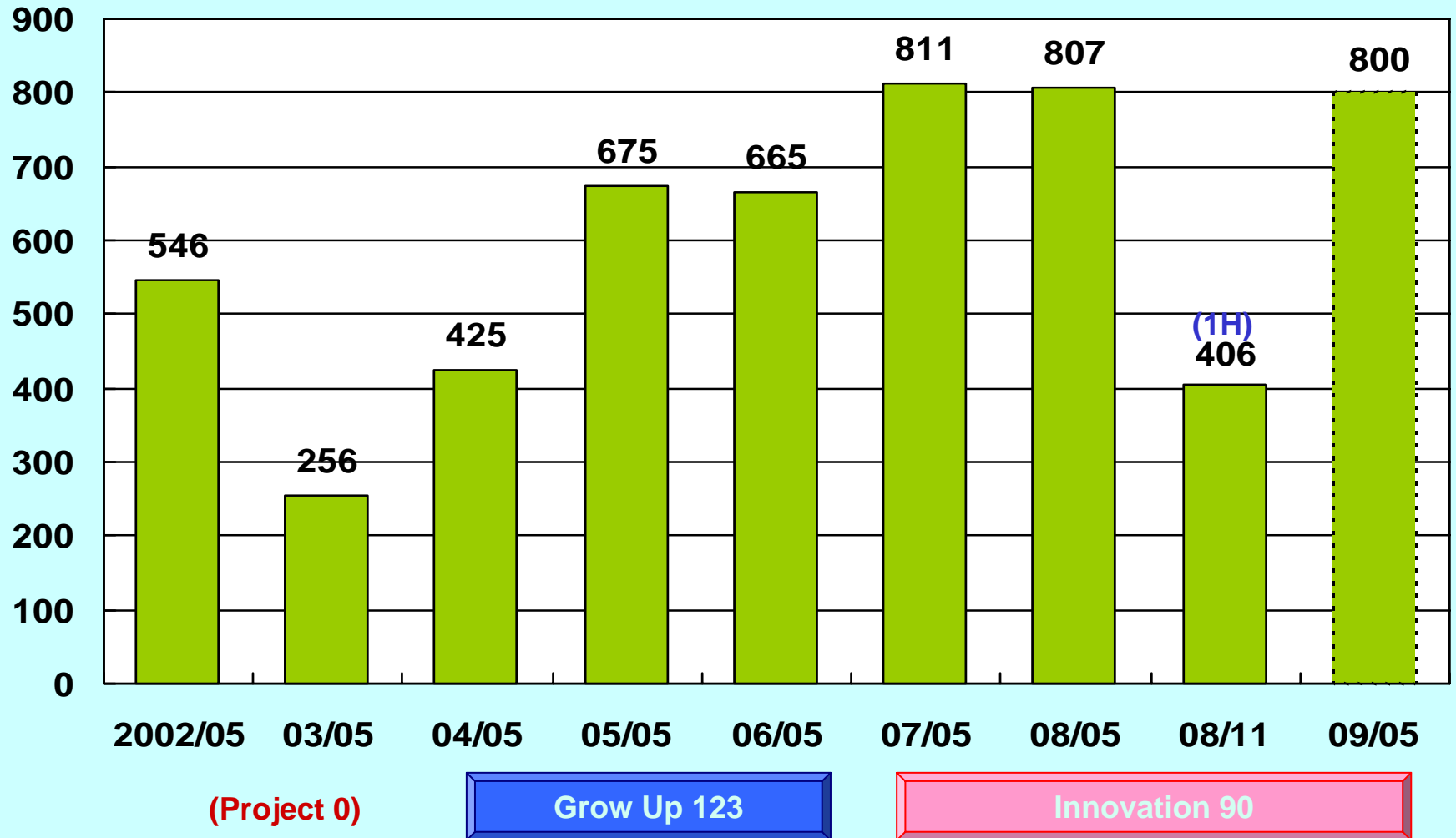
## Reference: Changes in Consolidated Capital Expenditure and Depreciation Expenses

(Unit: Million yen)

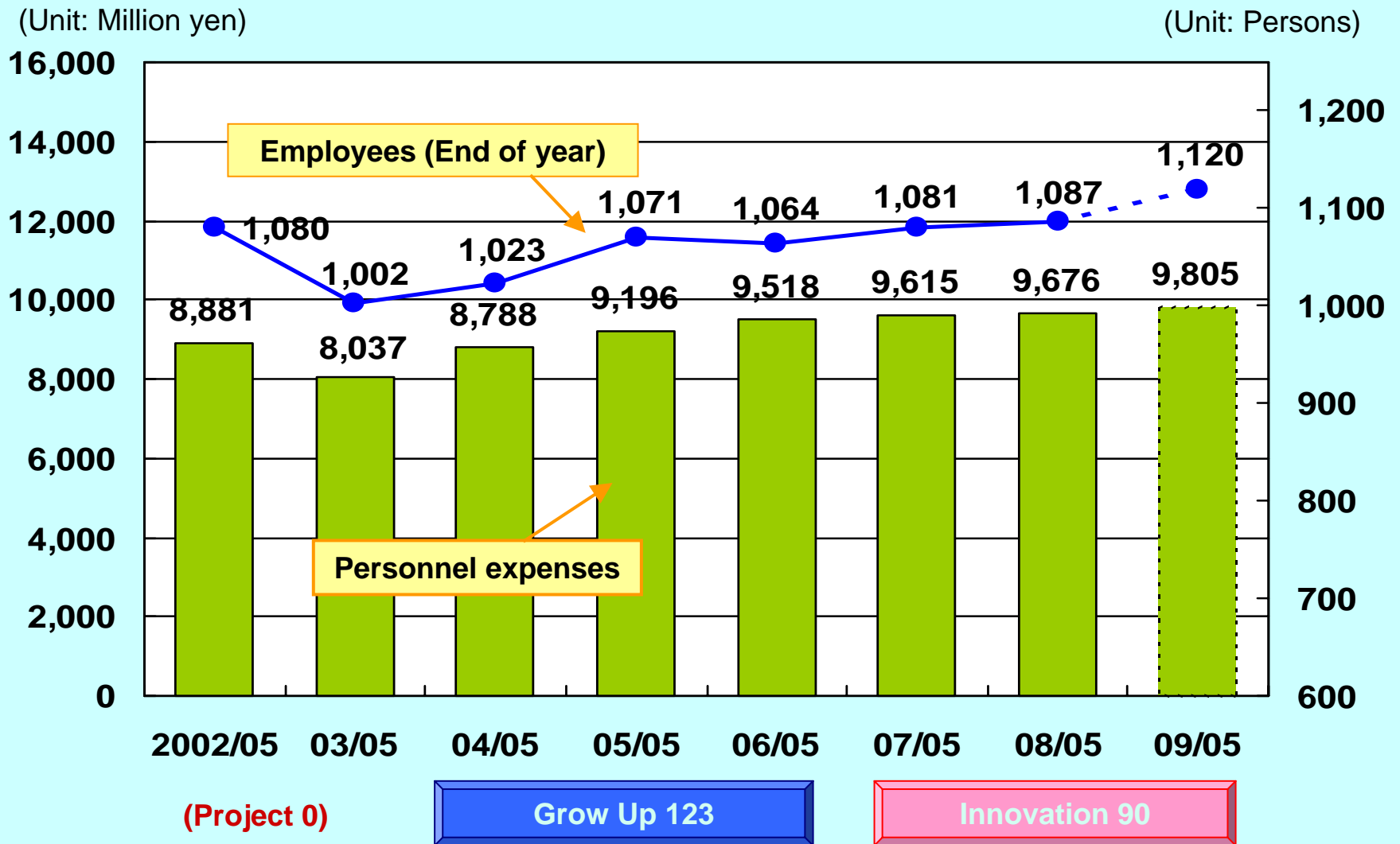


## Reference: Changes in Consolidated Research and Development Expenses

(Unit: Million yen)



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



## Reference: 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)

	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008
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.



### 3. Status of Individual Business Segments

#### 3-1. Transportation Business

(Unit: Million yen)

##### Consolidated financial results for the first half of fiscal 2008

	1H FY2007	1H FY2008	YoY change
Orders received	11,900	10,704	-1,196
Net sales	8,941	9,453	+512
Operating income	(208)	946	+1,154
%	-	10.0%	

##### Forecast for consolidated financial results for fiscal 2008

	FY2008	YoY change
Orders received	21,000	-932
Net sales	20,000	+219
Operating income	1,600	+1,056
%	8.0%	

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

Orders received:

Domestic orders received were firm; Overseas orders received (particularly in China) tapered off

Net sales:

Robust non-JR private railway sales

Operating income:

Increase in efficiency on the back of productivity enhancement initiatives

##### Comments

Orders received:

Firm domestic and overseas (China) orders

Net sales:

Factories to continue operating at full capacity

Operating income:

Concerns surrounding the impact of appreciation in the value of the yen

## 3. Status of Individual Business Segments

### 3-1. Transportation Business

#### (1) Recognition for contributions to the Beijing Olympic Games (Providing safe transportation and access to the Olympic compound)

Toyo Denki was invited to an awards ceremony held in Beijing, China on October 10, 2008. In helping to provide uninterrupted subway transportation, the Company was recognized for its contributions to a successful Olympic games.



## 3. Status of Individual Business Segments

### 3-1. Transportation Business

#### (2) The Keihan Nakanoshima Line — Rail services commence utilizing the 3000 series railway car

- Rail services that continue through to the Keihan Nakanoshima Line commenced on October 19, 2008 utilizing forty-eight 3000 series railway cars for use in six trains
- Received order for all electrical equipment, including control units, traction motors, auxiliary power supply apparatus, drive gear units, pantographs, monitoring devices, etc.



## 3. Status of Individual Business Segments

### 3-1. Transportation Business

#### (3) Order received from the Dallas Area Rapid Transit (DART) Authority

- Order received for 48 cars. This request follows an original order for 20 cars in 2003
- Additional cars are in preparation for the opening of a new DART line



## 3. Status of Individual Business Segments

### 3-1. Transportation Business

#### (4) Participation in InnoTrans 2008

Toyo Denki participated in InnoTrans 2008, the world's largest international industry convention focusing on railway technology, held in Berlin, Germany from September 23 to 26, 2008, as a member of the Japan Overseas Railway Stock Association (JORSA) exhibit.



## 3. Status of Individual Business Segments

### 3-1. Transportation Business

#### (5) APTA EXPO 2008

Toyo Denki participated in APTA EXPO 2008, held in San Diego, California U.S.A. from October 6 to 8, 2008, organized by the American Public Transportation Association.



### 3. Status of Individual Business Segments

#### 3-2. Industrial Systems

(Unit: Million yen)

#### Consolidated financial results for the first half of fiscal 2008

	1H FY2007	1H FY2008	YoY change
Orders received	8,463	6,200	-2,263
Net sales	7,352	5,938	-1,414
Operating income	304	(24)	-328
%	4.1%	—	

#### Forecast for consolidated financial results for fiscal 2008

	Fiscal 2008	YoY change
Orders received	15,000	+377
Net sales	13,000	-2,901
Operating income	200	-598
%	1.5%	

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

Orders received:

Decrease across all segments

Net sales:

Overseas sales were firm; Weak in other areas

Operating income:

Impacted by the drop in sales

#### Comments

Orders received:

Harsh operating environment

Net sales:

Difficult conditions reflecting the harsh operating environment for orders

Operating income:

Impact from the drop in sales

### 3. Status of Individual Business Segments

#### 3-2. Industrial Systems

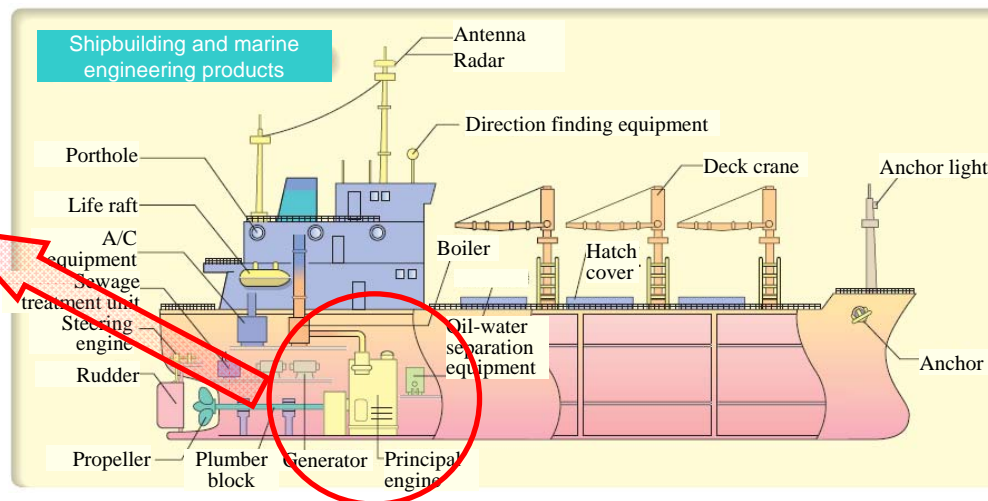
##### (1) Acquired Nippon Kaiji Kyokai (NK) Certification

Toyo Denki acquired NK certification for its marine inverter on September 22, 2008. Machinery installed on a marine vessel is subject to rigid testing. A portion or all of this testing process can be omitted for automated devices and equipment that have acquired type approval certification from Nippon Kaiji Kyokai.

Image of Ship



The NK certified VF64-25044mr



Source: Website of the Shipbuilders' Association of Japan



The Nippon Kaiji Kyokai Certificate of Type Approval



### 3. Status of Individual Business Segments

#### 3-2. Industrial Systems

##### (2) Toyo Denki commenced sales of $\mu$ GPCsH, an FA controller

Sales commenced from December 2008. Building on the specifications of the variable speed drive system compatible programmable controller, the  $\mu$ GPCsH realizes increased high-speed control and communication network expansion.

External configuration of the  $\mu$ GPCsH



← Approx. 50cm →

## 3. Status of Individual Business Segments

### 3-2. Industrial Systems

#### (3) Automa Vietnam 2008

Toyo Denki participated in the International Exhibition Fair for Automation, Measurement and Control (Automa) 2008 held in Vietnam from September 27 to 30, 2008. The Company exhibited demonstration models of its VF64,  $\mu$ GPCsH, Eco-drive motor, and VF64CE and VF66B systems and equipment.



### 3. Status of Individual Business Segments

#### 3-3. Information Systems

##### Consolidated financial results for the first half of fiscal 2008

	1H FY2007	1H FY2008	YoY change
Orders received	1,239	1,294	+55
Net sales	627	700	+73
Operating income	(139)	(118)	+21
%	—	—	

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

Orders received:

Orders received for station operating system IC compatible equipment were firm

Net sales

Sales of PASMO- and Suica-related equipment tapered off

Operating income:

Impacted by the drop in sales

(Unit: Million yen)

##### Forecast for consolidated financial results for fiscal 2008

	FY2008	YoY change
Orders received	2,000	-318
Net sales	2,000	-447
Operating income	0	-49
%	—	

##### Comments

Orders received:

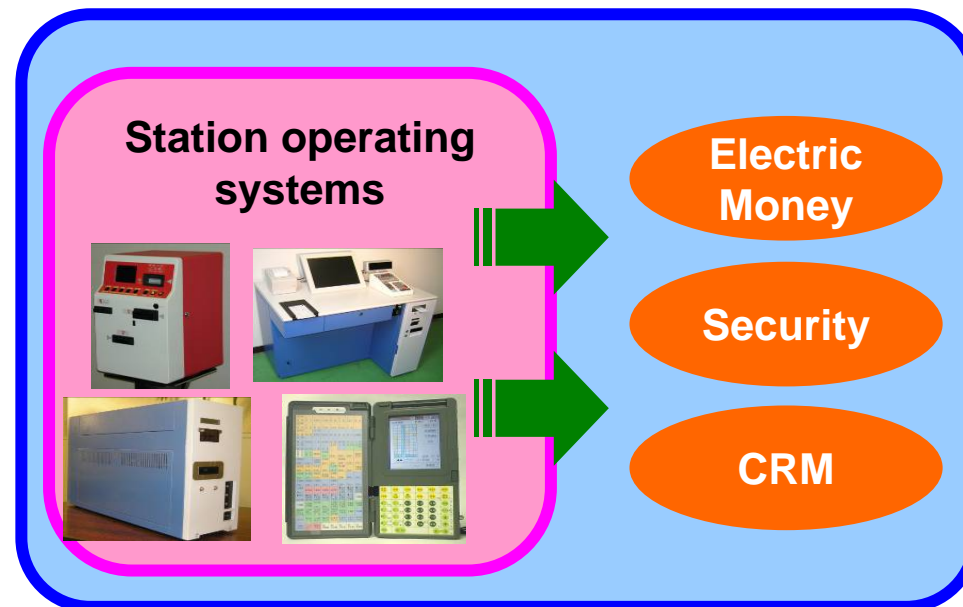
Focus on orders for station operating system IC compatible equipment  
Expand sales of remote monitoring systems

## 3. Status of Individual Business Segments

### 3-3. Information Systems

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

- ◆ Development of multifunction mobile terminal equipment
- ◆ Entry into other fields by finding new applications for station operation equipment

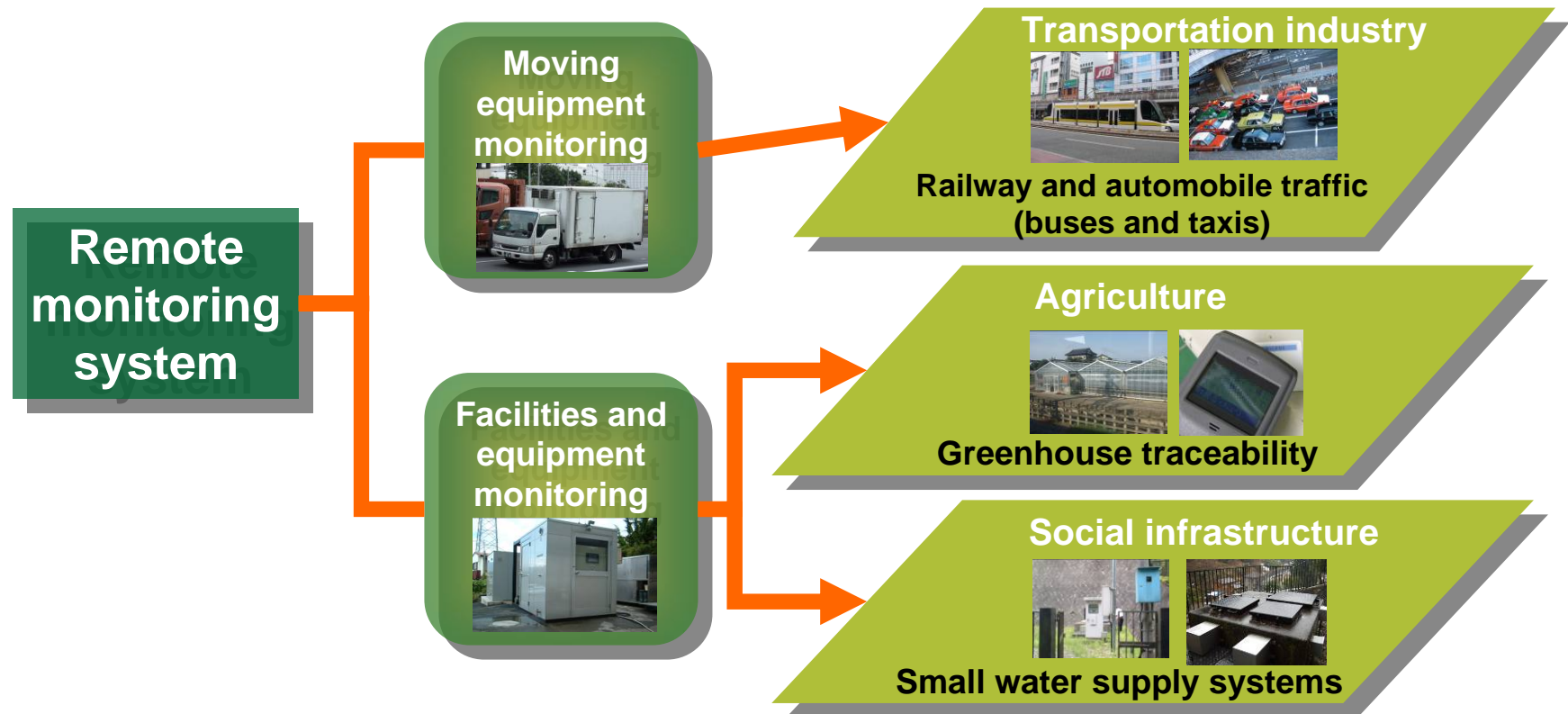


### 3. Status of Individual Business Segments

#### 3-3. Information Systems

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

- ◆ Proactively develop the market



## 4. Other Topics

### 4-1. Corporate Social Responsibility

- Plant tours for university-based railway research clubs
  - The railway research clubs of five Tokyo metropolitan area universities were invited to participate in plant tours in July and August 2008
  
- Onsite lectures on the environment organized by the City of Yokohama
  - A series of lectures were held at elementary schools in Yokohama in November 2008. Based on the theme “Building Eco-Friendly Railway Systems — Promoting Ecological Integrity through Increased Railway System Use” and attended by approximately 160 year-six students, these lectures served to increase the interest of participants in railways. This initiative was reported by the *Kanagawa Shimbun*.



A reporter from the newspaper publishing company gathering material

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## 4. Other Topics

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### 4-2. Proposal for a Comprehensive Capital and Business Alliance

Timeline of inquiries, replies, discussions and other matters relating to the proposal 2008:

- Sep. 16 Comprehensive capital and business alliance proposal letter received  
Analysis and deliberations commence
- Oct. 1 Initial list of 81 inquiries dispatched
- Oct. 10 Initial reply received
- Oct. 24 Second list of 55 inquiries dispatched
- Nov. 5 Second reply received
- Nov. 17 Third list of 20 inquiries dispatched
- Nov. 25 Third reply received
- Nov. 28 A meeting between three parties proposed by Toyo Denki's Independent Committee
- Dec. 5 Three-party meeting held
- Dec. 8 Objection notice issued by Toyo Denki's employees' union
- Dec. 11 Meeting between the two involved companies to discuss matters relating to technology, labor, finance and management held
- Dec. 15 (11:00 am) Notification of completion of the provision of information issued by Toyo Denki  
(3:30 pm) In line with the expiry of the original proposal submitted on Sep. 16, Nidec Corporation announced its decision not to extend or issue a new proposal
- Dec. 16 Toyo Denki announced its decision to discontinue all response measures

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## 4. Other Topics

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### 4-5. Basic Strategies Outlined in the New Three-Year Management Plan

- (1) Enhance corporate value
  - Increase orders
  - Raise production capacity
- (2) Bolster the Group strategy
- (3) Reinforce the overseas strategy
- (4) Strengthen new businesses
- (5) Fortify alliances