

January 14, 2014

Summary of Consolidated Financial Results for the First Half of Fiscal 2013

For the fiscal year ending May 31, 2014

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Scheduled date of submission of quarterly securities report: January 14, 2014
 Scheduled date of commencement of dividend payments: —
 Preparation of quarterly financial results 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 the supplementary data are rounded down.

1. Consolidated Business Results for the First Half of Fiscal 2013

(June 1, 2013 to November 30, 2013)

(1) Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
First half, FY2013	15,826	16.7%	213	—	270	—	57	—
First half, FY2012	13,566	(28.0)%	(515)	—	(283)	—	(401)	—

(Note) Comprehensive income: 1H FY2013: 731 million yen [369.6%]

1H FY2012: 155 million yen [(55.4)%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
First half, FY2013	1.20	—
First half, FY2012	(8.32)	—

(2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of November 30, 2013	46,030	18,959	41.2
As of May 31, 2013	42,364	18,519	43.7

(Reference) Shareholders' equity: As of November 30, 2013: 18,959 million yen

As of May 31, 2013: 18,519 million yen

2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
FY2012	—	0.00	—	6.00	6.00
FY2013	—	0.00	—	6.00	6.00
FY2013 (Forecast)	—	—	—	6.00	6.00

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

3. Consolidated Performance Forecast for Fiscal 2013 (June 1, 2013 to May 31, 2014)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Full fiscal year	36,000	17.7%	1,500	199.3%	1,500	30.4%	750	3.8%	15.40

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

Notes:

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements: 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):
November 30, 2013: 48,675,000 shares May 31, 2013: 48,675,000 shares
 - (b) Number of shares of treasury stock as of the end of the period:
November 30, 2013: 469,553 shares May 31, 2013: 463,566 shares
 - (c) Average number of shares for the period (fiscal year-to-date):
First half, FY2013: 48,208,868 shares First half, FY2012: 48,215,544 shares

Statements Regarding the Implementation Status of Quarterly Review Procedure

This quarterly financial report is not subject to quarterly review procedures as prescribed under the Financial Instruments and Exchange Act. As of the date of quarterly financial report disclosure, however, a report on the review of this quarterly financial report has been received.

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. (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 Accompanying Materials on page 3 for details relating to operating results forecasts.

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1. Qualitative Information regarding Quarterly Financial Report

(1) Explanation of Consolidated Business Results

During the first half (June 1, 2013 to November 30, 2013) of fiscal 2013, the fiscal year ending May 31, 2014, the economic recovery continues as exports, personal spending, and capital investment increased after the previous declines amidst a correction of the yen appreciation and rising stock prices on the back of the wide effects of economic policies and monetary easing policy of the current administration. On the other hand, the pace of recovery in overseas economies continued at a moderate level. While recovery of the United States economy was moderate and European economies were on a recovery track, recovery of the Chinese and Indian economies were delayed.

Under these circumstances, the Toyo Denki Group has been working in unison to thoroughly strengthen its management foundation and drastically improve its corporate value according to “DASH 2015,” the Group’s medium-term management plan launched in June 2012.

The Toyo Denki Group’s performance in the first half of fiscal 2013, the second fiscal year of the medium-term management plan, was as follows.

Orders received increased 19.5% compared with the corresponding period of the previous fiscal year to 18,251 million yen. This overall result reflected a significant surge in orders received in the Transportation Systems segment both in and outside Japan, in addition to an increase in orders received in the Industrial Systems segment and the Information Equipment Systems segment.

Net sales increased 16.7% year on year to 15,826 million yen. Despite a decrease in the Information Equipment Systems segment, this overall result reflected a significant surge in the Transportation Systems segment both in and outside Japan, and an increase in the Industrial Systems segment.

From a profit perspective, operating income of 213 million yen was posted for the period under review. This represented a positive year-on-year turnaround of 728 million yen attributable to increased net sales and a reduction in expenses. Ordinary income was 270 million yen and net income was 57 million yen. These figures represented also positive year-on-year turnaround of 553 million yen for ordinary income and 459 million yen for net income, respectively.

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.

Information by business segment is presented as follows.

(a) Transportation Systems

Orders received recorded a slight increase in Japan and saw a sharp upturn outside Japan, primarily in China. In overall terms, orders received increased 33.5% compared with the corresponding period of the previous fiscal year to 10,622 million yen.

Net sales increased sharply as a result of a recovery in vehicle demand in Japan, as well as increased momentum outside Japan, and totaled 9,860 million yen representing 28.8% year-on-year increase.

Due to mainly to increased revenue, segment profit totaled 1,064 million yen representing 88.2% year-on-year increase.

(b) Industrial Systems

Orders received increased 3.8% compared with the corresponding period of the previous fiscal year to 6,592 million yen, due to an increase in orders for testing equipment for automobile development amidst subdued capital investment both in and outside Japan.

Net sales in this segment increased 1.8% year on year to 5,332 million yen, mainly for the same reasons underlying the increase in orders received.

In the period under review, this segment recorded a profit of 172 million yen, mainly attributable to improved profitability of factories as a result of increased operating efficiency.

(c) Information Equipment Systems

Orders received in this segment increased 6.9% compared with the corresponding period of the previous fiscal year to 1,034 million yen, due to a large order placed for remote monitoring systems, despite low performance in orders for railway station operating equipment.

Net sales in this segment decreased 5.9% year on year to 630 million yen, mainly due to a winding down in deliveries for ticket issuing handy terminals. In the first half of fiscal 2013, segment profit for this segment was 17 million yen.

Note: Net sales data by business segment represents sales to third parties and is exclusive of inter-segment sales and transfers.

(2) Explanation of Consolidated Financial Position

Total assets as of November 30, 2013 stood at 46,030 million yen, an increase of 3,666 million yen compared with the end of the previous fiscal year. The increase in total assets was largely attributable to increases in cash and cash equivalents of 1,249 million yen, trade notes and accounts receivable of 710 million yen, inventories of 871 million yen, and investment securities of 860 million yen.

Total liabilities amounted to 27,070 million yen, an increase of 3,226 million yen compared with the previous fiscal year end. The increase in total liabilities was largely attributable to an increase in borrowings of 2,217 million yen.

Net assets stood at 18,959 million yen, 440 million yen higher than the balance as of the previous fiscal year end. Major movements were a 563 million yen increase in unrealized holding gain on available-for-sale securities and a 231 million yen decrease in retained earnings.

(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

We have made no revision to the “Consolidated Performance Forecast for Fiscal 2013” announced on July 10, 2013.

2. Items regarding Summary Information (Notes)

(1) Transfer of Major Subsidiaries during the Period

Not applicable.

(2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements

Not applicable.

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

Not applicable.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2013	End of the First Half of Fiscal 2013 (November 30, 2013)
Assets		
Current assets		
Cash and cash equivalents	1,302	2,551
Trade notes and accounts receivable	13,384	14,094
Products and finished goods	1,464	1,650
Work in process	3,081	3,616
Raw materials and stored goods	2,118	2,269
Other	632	643
Allowance for doubtful accounts	(40)	(40)
Total current assets	21,943	24,785
Fixed assets		
Property, plant and equipment		
Buildings and structures	6,973	7,056
Accumulated depreciation	(3,988)	(4,114)
Buildings and structures, net	2,985	2,941
Machinery and equipment	6,757	6,789
Accumulated depreciation	(5,648)	(5,835)
Machinery and equipment, net	1,108	954
Land	289	289
Construction in progress	80	109
Other	3,024	3,126
Accumulated depreciation	(2,476)	(2,568)
Other, net	547	557
Total property, plant and equipment	5,012	4,852
Intangible assets		
Software	274	262
Other	47	42
Total intangible assets	321	305
Investments and other assets		
Investment securities	13,318	14,178
Other	1,932	1,947
Allowance for doubtful accounts	(162)	(38)
Total investments and other assets	15,087	16,087
Total fixed assets	20,421	21,245
Total assets	42,364	46,030

(Millions of yen)

	As of May 31, 2013	End of the First Half of Fiscal 2013 (November 30, 2013)
Liabilities		
Current liabilities		
Trade notes and accounts payable	4,646	5,120
Short-term borrowings	4,296	6,368
Current portion of corporate bonds	120	60
Income taxes payable	319	302
Consumption and other taxes payable	67	30
Accrued expenses	2,883	3,255
Advances received	413	454
Deposits received	212	215
Reserve for directors' bonuses	16	8
Reserve for employees' bonuses	772	781
Reserve for order losses	196	144
Other	335	239
Total current liabilities	14,280	16,979
Long-term liabilities		
Long-term borrowings	5,413	5,558
Long-term payables	164	147
Reserve for employees' retirement benefits	3,289	3,454
Allowance for environmental development	43	43
Other	653	886
Total long-term liabilities	9,564	10,090
Total liabilities	23,844	27,070
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	7,155	6,924
Treasury stock	(163)	(165)
Total shareholders' equity	15,167	14,934
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	3,367	3,930
Foreign currency translation adjustments	(14)	94
Total accumulated other comprehensive income	3,352	4,025
Total net assets	18,519	18,959
Total liabilities and net assets	42,364	46,030

(2) Quarterly Consolidated Statements of Income and Quarterly Comprehensive Income
(Quarterly Consolidated Statements of Income for the First Half of Fiscal 2013)

(Millions of yen)

	1H FY2012 (June 1, 2012 to November 30, 2012)	1H FY2013 (June 1, 2013 to November 30, 2013)
Net sales	13,566	15,826
Cost of sales	10,466	12,161
Gross profit	3,100	3,664
Selling, general and administrative expenses	3,615	3,451
Operating income (loss)	(515)	213
Non-operating income		
Interest income	0	0
Dividend income	103	115
Equity in earnings of unconsolidated subsidiaries and affiliates	43	—
Life insurance dividend income	85	3
Foreign exchange gains	91	36
Miscellaneous income	23	10
Total non-operating income	347	167
Non-operating expenses		
Interest expense	86	87
Equity in loss of unconsolidated subsidiaries and affiliates	—	13
Loss on disposal of fixed assets	7	5
Miscellaneous loss	21	3
Total non-operating expenses	115	110
Ordinary income (loss)	(283)	270
Extraordinary losses		
Office transfer expenses	15	—
Total extraordinary losses	15	—
Income (loss) before income taxes and minority interests	(299)	270
Income taxes		
Current	86	273
Deferred	15	(61)
Total income taxes	102	212
Income (loss) before minority interests	(401)	57
Net income (loss)	(401)	57

(Quarterly Consolidated Statements of Comprehensive Income for the First Half of Fiscal 2013)

(Millions of yen)

	1H FY2012 (June 1, 2012 to November 30, 2012)	1H FY2013 (June 1, 2013 to November 30, 2013)
Income (loss) before minority interests	(401)	57
Other comprehensive income		
Unrealized holding gain (loss) on securities	549	563
Foreign currency translation adjustments	(2)	6
Share of other comprehensive income of affiliates accounted for by the equity method	9	102
Total other comprehensive income	556	673
Comprehensive income	155	731
Comprehensive income attributable to:		
Owners of the parent	155	731
Minority interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2012 (June 1, 2012 to November 30, 2012)	1H FY2013 (June 1, 2013 to November 30, 2013)
Cash flows from operating activities		
Income (loss) before income taxes and minority interests	(299)	270
Depreciation and amortization	537	478
Reversal of allowance for doubtful accounts	(4)	(124)
(Reversal of) provision for accrued employees' bonuses	34	8
Reversal of provision for accrued retirement benefits	(1)	165
Interest and dividends income	(103)	(115)
Interest expenses	86	87
Trade notes and accounts receivable	1,899	(707)
Inventories	(949)	(868)
Trade notes and accounts payable	(357)	473
Reserve for losses on order acknowledgements	(3)	(52)
Advances received	(68)	30
Accrued expenses	(176)	377
Other	(374)	158
Subtotal	219	180
Interest and dividends income received	114	115
Interest expenses paid	(94)	(92)
Payments for corporate and other taxes	(448)	(343)
Net cash provided by (used in) operating activities	(208)	(139)
Cash flows from investing activities		
Purchases of property, plant and equipment	(841)	(419)
Purchases of investment securities	(6)	(6)
Other	(177)	(65)
Net cash used in investing activities	(1,025)	(492)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,499	2,075
Increase in long-term debt	—	700
Repayment of long-term debt	(638)	(558)
Redemption of bonds payable	(100)	(60)
Purchase of treasury stock	(0)	(1)
Cash dividends paid	(223)	(286)
Other	(0)	(0)
Cash provided by financing activities	1,538	1,867
Effect of exchange rate change on cash and cash equivalents	(4)	13
Increase (decrease) in cash and cash equivalents	299	1,249
Cash and cash equivalents at the beginning of the period	1,489	1,302
Cash and cash equivalents at the end of the period	1,789	2,551

(4) Notes to Quarterly Consolidated Financial Statements
 (Notes on Going Concern Assumptions)
 Not applicable.

(Notes on Significant Fluctuations in Shareholders' Equity)
 Not applicable.

(Segment Information)

(a) The First Half of Fiscal 2012 (June 1, 2012 to November 30, 2012)
 Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statement of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	7,657	5,236	669	3	13,566	—	13,566
Inter-segment sales and transfers	6	1	—	277	285	(285)	—
Total	7,664	5,237	669	281	13,852	(285)	13,566
Segment profit (loss)	565	(45)	54	21	596	(1,111)	(515)

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 1,111 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 1 million yen and corporate expenditure (a loss of 1,110 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 statement of income.

(b) The First Half of Fiscal 2013 (June 1, 2013 to November 30, 2013)
Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statement of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	9,860	5,332	630	2	15,826	—	15,826
Inter-segment sales and transfers	7	0	—	248	256	(256)	—
Total	9,868	5,333	630	250	16,082	(256)	15,826
Segment profit	1,064	172	17	23	1,277	(1,064)	213

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 1,064 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 2 million yen and corporate expenditure (a loss of 1,067 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 statement of income.

4. Supporting Materials

(1) The Status of Production, Orders, and Sales

(a) Production Performance

Business segment	1H FY2012 (June 1, 2012 to November 30, 2012)		1H FY2013 (June 1, 2013 to November 30, 2013)	
	Orders Received (Millions of yen)	Balance Share (%)	Orders Received (Millions of yen)	Balance Share (%)
Transportation Systems	8,023	60.8	10,277	65.5
Industrial Systems	4,630	35.1	4,958	31.6
Information Equipment Systems	552	4.2	455	2.9
Other	—	—	—	—
Total	13,206	100.0	15,691	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 FY2012 (June 1, 2012 to November 30, 2012)		1H FY2013 (June 1, 2013 to November 30, 2013)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	7,958	14,740	10,622	18,817
Industrial Systems	6,348	5,953	6,592	6,015
Information Equipment Systems	967	849	1,034	799
Other	3	—	2	—
Total	15,278	21,544	18,251	25,632

Notes:

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

(c) Sales Performance

Business segment	1H FY2012 (June 1, 2012 to November 30, 2012)		1H FY2013 (June 1, 2013 to November 30, 2013)	
	Orders Received (Millions of yen)	Balance Share (%)	Orders Received (Millions of yen)	Balance Share (%)
Transportation Systems	7,657	56.4	9,860	62.3
Industrial Systems	5,236	38.6	5,332	33.7
Information Equipment Systems	669	4.9	630	4.0
Other	3	0.0	2	0.0
Total	13,566	100.0	15,826	100.0

Notes:

1. Amounts are exclusive of consumption and other taxes.
2. Looking at the overall nature and structure of the Group 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.