

Summary of Consolidated Business Results for the First Half of Fiscal 2015

For the fiscal year ending May 31, 2016

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Scheduled date of submission of quarterly financial report: January 14, 2016
 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 the supplementary data are rounded down.

1. Consolidated Business Results for the First Half of Fiscal 2015

(June 1, 2015 to November 30, 2015)

(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 Attributable to Owners of the Parent	
1H Fiscal 2015	18,749	(1.7)%	611	4.7%	709	(18.8)%	473	(8.2)%
1H Fiscal 2014	19,065	20.5%	584	174.0%	873	223.4%	515	790.7%

(Note) Comprehensive income: 1H Fiscal 2015: 206 million yen [(92.7)%]
 1H Fiscal 2014: 2,841 million yen [288.7%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
1H Fiscal 2015	9.82	—
1H Fiscal 2014	10.69	—

(2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of November 30, 2015	54,292	24,809	45.7
As of May 31, 2015	53,041	24,895	46.9

(Reference) Shareholders' equity: As of November 30, 2015: 24,809 million yen
 As of May 31, 2015: 24,895 million yen

2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
Fiscal 2014	—	0.00	—	6.00	6.00
Fiscal 2015	—	0.00			
Fiscal 2015 (Forecast)			—	6.00	6.00

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

3. Consolidated Performance Forecast for Fiscal 2015 (June 1, 2015 to May 31, 2016)

(In millions of yen, except where noted; 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)
		%		%		%		%	
Full year	44,000	11.1%	2,100	31.6%	2,200	7.0%	1,400	26.6%	29.05

(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: Yes
 - (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, 2015: 48,675,000 shares May 31, 2015: 48,675,000 shares
 - (b) Number of shares of treasury stock as of the end of the period:
November 30, 2015: 491,381 shares May 31, 2015: 484,737 shares
 - (c) Average number of shares for the period (fiscal year-to-date):
1H Fiscal 2015: 48,187,423 shares 1H Fiscal 2014: 48,197,225 shares

Statements Regarding the Implementation Status of Quarterly Review Procedures

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, quarterly review procedures for the quarterly financial statements pursuant to the aforementioned Act were not yet completed.

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 Results

(1) Explanation of Business Results

During the first half (June 1, 2015 to November 30, 2015) of fiscal 2015, the fiscal year ending May 31, 2016, the economy in Japan maintained a mild recovery trend in general despite some weak activities. Meanwhile, with regard to overseas, a recovery trend of the economy in the United States continued, such as improvement in the employment environment. In China and the emerging countries, although their economic growth is slowing down, investments in railway infrastructure remained at a high level in these areas.

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 “Next 100: Beyond 100 years,” the medium-term management plan which will be completed in the fiscal year ending May 31, 2017.

The Toyo Denki Group’s performance in the first half of fiscal 2015, the second fiscal year of the plan, was as follows.

Orders received decreased 2.4% compared with the corresponding period of the previous fiscal year to 19,133 million yen. This overall result reflected a slight decrease in the Industrial Systems segment.

Net sales decreased 1.7% year on year to 18,749 million yen, reflecting a slight decrease in the Transportation Systems segment despite a slight increase in the Industrial Systems segment.

From a profit perspective, operating income rose 4.7% compared with the corresponding period of the previous fiscal year, and recorded 611 million yen, mainly due to increased profit in the Industrial Systems segment. However, primarily due to the posting of loss on foreign currency exchange, ordinary income decreased 18.8%, recording 709 million yen, and net income attributable to owners of the parent decreased 8.2% to record 473 million yen.

Information by business segment is presented as follows.

Transportation Systems

Orders received increased 2.4% compared with the corresponding period of the previous fiscal year to 12,862 million yen, led by an upturn outside Japan.

Net sales in this segment totaled 12,735 million yen, a 2.3% decrease from the corresponding period of the previous year, due to a decrease outside Japan, despite a slight increase in Japan.

Segment profit decreased 1.2% compared with the corresponding period of the previous fiscal year to 1,335 million yen.

Industrial Systems

While orders received for testing equipment for automotive development increased, those for social infrastructure declined. In overall terms, orders received decreased 9.2% compared with the corresponding period of the previous fiscal year to 5,866 million yen.

Net sales increased 0.3% year on year to 5,683 million yen as sales of testing equipment for automotive development increased, despite a decrease in those for social infrastructure.

Segment profit totaled 506 million yen, a 22.0% increase compared with the corresponding period of the previous fiscal year.

Information Equipment Systems

Orders received in this segment decreased 31.9% to 401 million yen, primarily due to significant decreases both in railway station operating equipment and remote monitoring systems.

Net sales in this segment decreased 10.0% year on year to 328 million yen due to a decrease in sales of remote monitoring systems, despite an increase in sales of railway station operating equipment.

Segment profit was a 21 million yen loss, a decrease of 40 million yen compared with the corresponding period of the previous fiscal year, primarily due to an increase in development expenses.

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

(2) Explanation of Financial Position

1) Status of Assets, Liabilities and Net Assets

(Assets)

Total assets as of November 30, 2015 stood at 54,292 million yen, an increase of 1,251 million yen compared with the end of the previous fiscal year. Despite a decrease in cash and cash equivalents of 1,159 million yen, the increase in total assets was largely attributable to increases in trade notes and accounts receivable of 1.2 billion yen, and inventories of 1,094 million yen, respectively.

(Liabilities)

Total liabilities as of November 30, 2015 amounted to 29,482 million yen, an increase of 1,336 million yen compared with the previous fiscal year end. Despite decreases in income taxes payable of 321 million yen, and consumption and other taxes payable of 201 million yen, the increase in total liabilities was largely attributable to increases in payables of 664 million yen, and borrowings of 1,348 million yen.

(Net assets)

Net assets as of November 30, 2015 stood at 24,809 million yen, 85 million yen less than the balance as of the previous fiscal year end. Despite an increase in retained earnings of 184 million yen, the decrease in net assets was largely attributable to a decrease in unrealized holding gain on available-for-sale securities of 319 million yen.

2) Status of Cash Flows

Cash and cash equivalents as of November 30, 2015 stood at 2,411 million yen, a decrease of 1,159 million yen compared with the end of the previous fiscal year.

(Cash flows from operating activities)

Net cash used in operating activities during the first half of fiscal 2015 amounted to 1,707 million yen. Despite cash inflows such as income before income taxes of 707 million yen, depreciation and amortization of 398 million yen, and an increase in trade notes and accounts payable of 654 million yen, this was largely attributable to cash outflows such as an increase in trade notes and accounts receivable of 1,208 million yen, an increase in inventories of 1,080 million yen, and payments for corporate and other taxes of 709 million yen.

(Cash flows from investing activities)

Net cash used in investing activities during the first half of fiscal 2015 amounted to 514 million yen. This was largely attributable to purchases of property, plant and equipment of 170 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities during the first half of fiscal 2015 amounted to 1,062 million yen. This was largely attributable to an increase in short-term loans payable of 1,752 million yen, and repayment of long-term debt of 399 million yen.

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

We have made no revision to the “Consolidated Performance Forecast for Fiscal 2015” announced on July 10, 2015.

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

Changes in Accounting Policies

“Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013) and “Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013), and “Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013) and others have been applied from the first quarter of fiscal 2015. Along with this application, presentation method regarding net income and others has been revised, and minority interests has been revised to non-controlling interests as well. To reflect these changes in presentation, consolidated financial statements for the first half of fiscal 2014 and for the full year of fiscal 2014 ended May 31, 2015 have been reclassified.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2015	End of the First Half of Fiscal 2015 (November 30, 2015)
Assets		
Current assets		
Cash and cash equivalents	3,570	2,411
Trade notes and accounts receivable	14,838	16,039
Products and finished goods	1,283	1,475
Work in process	2,962	3,501
Raw materials and stored goods	2,149	2,512
Other	828	1,138
Allowance for doubtful accounts	(40)	(2)
Total current assets	25,593	27,076
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,058	7,081
Accumulated depreciation	(4,320)	(4,431)
Buildings and structures, net	2,737	2,650
Machinery and equipment	6,792	6,892
Accumulated depreciation	(5,930)	(6,066)
Machinery and equipment, net	862	826
Land	289	289
Construction in progress	227	267
Other	3,272	3,315
Accumulated depreciation	(2,786)	(2,836)
Other, net	486	478
Total property, plant and equipment	4,603	4,512
Intangible assets		
Software	204	202
Other	144	284
Total intangible assets	348	486
Investments and other assets		
Investment securities	20,326	19,868
Other	2,180	2,361
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	22,495	22,217
Total fixed assets	27,447	27,216
Total assets	53,041	54,292

(Millions of yen)

	As of May 31, 2015	End of the First Half of Fiscal 2015 (November 30, 2015)
Liabilities		
Current liabilities		
Trade notes and accounts payable	5,116	3,983
Electronically recorded obligations - operating	3,022	4,819
Short-term debt	1,783	3,312
Income taxes payable	652	331
Consumption and other taxes payable	249	48
Accrued expenses	992	1,132
Advances received	288	119
Deposits received	230	212
Reserve for directors' bonuses	41	21
Reserve for employees' bonuses	927	960
Reserve for order losses	301	273
Allowance for environmental development	65	64
Other	307	328
Total current liabilities	13,979	15,609
Long-term liabilities		
Long-term debt	7,640	7,459
Long-term payables	141	156
Net defined benefit liability	3,725	3,737
Deferred tax liabilities	2,618	2,482
Other	40	37
Total long-term liabilities	14,166	13,873
Total liabilities	28,145	29,482
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	8,698	8,882
Treasury stock	(171)	(174)
Total shareholders' equity	16,702	16,883
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	8,317	7,997
Foreign currency translation adjustments	259	288
Remeasurements of defined benefit plans	(383)	(359)
Total accumulated other comprehensive income	8,193	7,926
Total net assets	24,895	24,809
Total liabilities and net assets	53,041	54,292

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income for the First Half of Fiscal 2015)

(Millions of yen)

	1H FY2014 (June 1, 2014 to November 30, 2014)	1H FY2015 (June 1, 2015 to November 30, 2015)
Net sales	19,065	18,749
Cost of sales	14,692	14,388
Gross profit	4,373	4,361
Selling, general and administrative expenses	3,788	3,749
Operating income	584	611
Non-operating income		
Interest income	1	0
Dividend income	141	169
Equity in profit of unconsolidated subsidiaries and affiliates	-	28
Life insurance dividend income	6	39
Foreign exchange gains	250	-
Miscellaneous income	12	19
Total non-operating income	413	255
Non-operating expenses		
Interest expense	71	61
Equity in loss of unconsolidated subsidiaries and affiliates	29	-
Loss on disposal of fixed assets	1	0
Loss on foreign currency exchange	-	81
Miscellaneous loss	21	14
Total non-operating expenses	124	157
Ordinary income	873	709
Extraordinary income		
Gain on sales of fixed assets	12	-
Total extraordinary income	12	-
Extraordinary loss		
Loss on sales of investment securities	-	2
Total extraordinary loss	-	2
Income before income taxes	886	707
Income taxes:		
Current	511	285
Deferred	(140)	(51)
Total income taxes	371	234
Net income	515	473
Net income attributable to owners of the parent	515	473

(Consolidated Statements of Comprehensive Income for the First Half of Fiscal 2015)

(Millions of yen)

	1H FY2014 (June 1, 2014 to November 30, 2014)	1H FY2015 (June 1, 2015 to November 30, 2015)
Net income	515	473
Other comprehensive income		
Unrealized holding gain (loss) on available-for-sale securities	2,269	(319)
Deferred gains or losses on hedges	26	-
Foreign currency translation adjustments	(12)	3
Remeasurements of defined benefit plans	84	23
Share of other comprehensive income of affiliates to which the equity method is applied	(41)	26
Total other comprehensive income	2,326	(267)
Comprehensive income	2,841	206
Comprehensive income attributable to:		
Owners of the parent	2,841	206
Non-controlling interests	-	-

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	1H FY2014 (June 1, 2014 to November 30, 2014)	1H FY2015 (June 1, 2015 to November 30, 2015)
Cash flows from operating activities		
Income before income taxes	886	707
Depreciation and amortization	417	398
(Reversal of) provision for allowance for doubtful accounts	6	(37)
Provision for (reversal of) accrued employees' bonuses	(116)	32
Increase in net defined benefit liability	173	11
(Reversal of) reserve for losses on order acknowledgements	179	(27)
Interest and dividends income	(143)	(169)
Interest expenses	71	61
Trade notes and accounts receivable	(1,577)	(1,208)
Inventories	(258)	(1,080)
Trade notes and accounts payable	(111)	654
Advances received	186	(169)
Accrued expenses	661	144
Loss (gain) on sales of investment securities	-	2
Increase (decrease) in allowance for environmental development	-	(0)
Other	(52)	(421)
Subtotal	324	(1,102)
Interest and dividends income received	159	169
Interest expenses paid	(68)	(64)
Payments for corporate and other taxes	(419)	(709)
Net cash used in operating activities	(4)	(1,707)
Cash flows from investing activities		
Purchases of property, plant and equipment	(252)	(170)
Purchases of investment securities	(6)	(6)
Proceeds from sales of investment securities	-	7
Other	(35)	(345)
Net cash used in investing activities	(294)	(514)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	122	1,752
Increase in long-term debt	1,500	-
Repayment of long-term debt	(544)	(399)
Purchase of treasury stock	(2)	(2)
Cash dividends paid	(286)	(287)
Other	(0)	(0)
Net cash provided by financing activities	788	1,062
Effect of exchange rate change on cash and cash equivalents	23	(0)
Increase (decrease) in cash and cash equivalents	512	(1,159)
Cash and cash equivalents at the beginning of the period	2,997	3,570
Cash and cash equivalents at the end of the period	3,510	2,411

(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)

First Half of Fiscal 2014 (June 1, 2014 to November 30, 2014)

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 Statements of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	13,031	5,666	364	2	19,065	—	19,065
Inter-segment sales and transfers	4	0	—	289	294	(294)	—
Total	13,035	5,666	364	292	19,359	(294)	19,065
Segment profit	1,351	414	18	30	1,815	(1,231)	584

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 1,231 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 1,229 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.

First Half of Fiscal 2015 (June 1, 2015 to November 30, 2015)

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 Statements of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	12,735	5,683	328	2	18,749	—	18,749
Inter-segment sales and transfers	2	2	—	288	293	(293)	—
Total	12,737	5,686	328	291	19,043	(293)	18,749
Segment profit (loss)	1,335	506	(21)	8	1,828	(1,216)	611

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 1,216 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 0 million yen and corporate expenditure (a loss of 1,216 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 income recorded under the quarterly consolidated statements of income.

4. Supporting Materials for the Financial Results

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

(a) Production Status

Business segment	1H FY2014 (June 1, 2014 to November 30, 2014)		1H FY2015 (June 1, 2015 to November 30, 2015)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
	Transportation Systems	13,368	70.8	13,151
Industrial Systems	5,250	27.8	5,565	29.3
Information Equipment Systems	261	1.4	294	1.5
Other	—	—	—	—
Total	18,880	100.0	19,010	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 FY2014 (June 1, 2014 to November 30, 2014)		1H FY2015 (June 1, 2015 to November 30, 2015)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
	Transportation Systems	12,557	25,174	12,862
Industrial Systems	6,458	5,720	5,866	6,817
Information Equipment Systems	589	465	401	171
Other	2	—	2	—
Total	19,608	31,360	19,133	31,590

Notes:

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

(c) Sales Status

Business segment	1H FY2014 (June 1, 2014 to November 30, 2014)		1H FY2015 (June 1, 2015 to November 30, 2015)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
	Transportation Systems	13,031	68.4	12,735
Industrial Systems	5,666	29.7	5,683	30.3
Information Equipment Systems	364	1.9	328	1.8
Other	2	0.0	2	0.0
Total	19,065	100.0	18,749	100.0

Notes:

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