



Our Heart and Technology for the Future

**Interim Financial Results Briefing
Fiscal 2007 (Ending May 2008)
(Excerpts)**

**January 24, 2008
Teruyuki Oosawa, President
Toyo Denki Seizo K.K.**

90th Anniversary

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

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 cultivated since its founding as the core, Toyo Denki is addressing the challenges of making the next generation of high-speed railroads and the recycling society a reality. Furthermore, the company has also been working aggressively to expand overseas to grow its business.



Program

President's Briefing: About 25 minutes

1. Overview of Interim Financial Results for Year Ending May 2008
2. Outlook for Full Year Financial Results for Year Ending May 2008
3. Status and Strategies, by Business Segment
4. Other

Q&A: About 30 minutes

1. Overview of Interim Financial Results for Year Ending May 2008

1-1. Overview of Consolidated Financial Results

(Unit: Million yen)

	Fiscal 2006 Interim period	Fiscal 2007 Interim period	Year-on year change	Notes
Orders received	17,270	21,603	+4,333	Transportation Business segment strong
Net sales	16,134	16,922	+788	Transportation and Industrial Systems segments solid
Operating income	441	(43)	-484	
%	2.7%	-		
Ordinary income	451	(154)	-605	
%	2.8%	-		
Net income	(1,037)	(452)	+585	
%	-	-		
Net income per share (yen)	(22.83)	(9.98)	+12.85	

1. Overview of Interim Financial Results for Year Ending May 2008

1-2. Overview of Non-consolidated Financial Results

(Unit: Million yen)

	Fiscal 2006 Interim period	Fiscal 2007 Interim period	Year-on year change	Notes
Orders received	14,662	18,787	+4,125	Transportation Business segment strong
Net sales	13,278	13,910	+632	Transportation and Industrial Systems segments solid
Operating income	76	(530)	-606	
%	0.6%	-		
Ordinary income	325	(366)	-691	
%	2.5%	-		
Net income	(854)	(449)	-405	
%	-	-		
Net income per share (yen)	(18.81)	(9.91)	+8.90	

1. Overview of Interim Financial Results for Year Ending May 2008

1-3. Consolidated Financial Position

Comparative Consolidated Statement of Financial Position

(Unit: Million yen)

	Nov. 30, 2006	Nov. 30, 2007	Year-on-year change	May 31, 2007
Total assets	34,449	35,032	+583	35,763
Current assets	19,537	20,364	+827	20,837
Fixed assets	14,911	14,667	-243	14,926
Total liabilities	20,434	21,509	+1,075	21,009
Of which, interest bearing debt	4,797	5,825	+1,028	4,865
Net assets	14,015	13,523	-489	14,754
Equity ratio	40.7%	38.6%	-	41.3%
Net assets per share (yen)	308.42	301.11	-7.31	324.79

1. Overview of Interim Financial Results for Year Ending May 2008

1-4. Factors in Decline of Consolidated Operating Income

Factor	Details	Notes
Cost management	<p>(1) Disruption of production processes in Transportation Business segment</p> <p>(2) Impact of hike in raw materials prices</p> <p>(3) Decline in gross profit margin</p>	(1) in line with projections from 2Q fiscal 2007
Accounting treatment	Adoption of more rigorous accounting treatment	Adopting as much as possible during fiscal 2007
New design projects	Overlapping of projects with high proportion of new design and development, such as Shinkansen, overseas, and environmentally friendly products employing batteries, in Transportation Business segment.	Largely resolved in fiscal 2007

2. Outlook for Full Year Financial Results for Year Ending May 2008

2-1. Order Environment

	Comments
Market overall	Negative economic factors expanding sharply due to concerns over repercussions of US sub-prime loan issue
Transportation Business segment	<ul style="list-style-type: none"> (1) Low correlation with economic trends (2) Domestic market solid for time being (3) Overseas, need for development of urban transportation networks, particularly in China, strong
Industrial Systems segment	<ul style="list-style-type: none"> (1) Vulnerable to impact of economic trends (2) Tone of expansion for testing equipment for automotive development regardless of economic trends (3) Trend of structural decline for social infrastructure
Information Systems segment	<ul style="list-style-type: none"> (1) Market expanding in medium to long term with IC card adaptations

2. Outlook for Full Year Financial Results for Year Ending May 2008

2-2. Consolidated Outlook

(Unit: Million yen)

	Fiscal 2006	Fiscal 2007 Initial projections	Fiscal 2007 Revised figures	Comparison with projections
Orders received	37,649	41,000	41,000	No change
Net sales	36,571	39,000	39,000	No change
Operating income	1,928	2,300	1,200	-1,100
%	5.3%	5.9%	3.0%	
Ordinary income	1,967	2,200	1,000	-1,200
%	5.4%	5.6%	2.5%	
Net income	(151)	1,200	500	-700
%	-	3.0%	1.2%	
Net income per share (yen)	(3.33)	26.41	11.03	-15.38

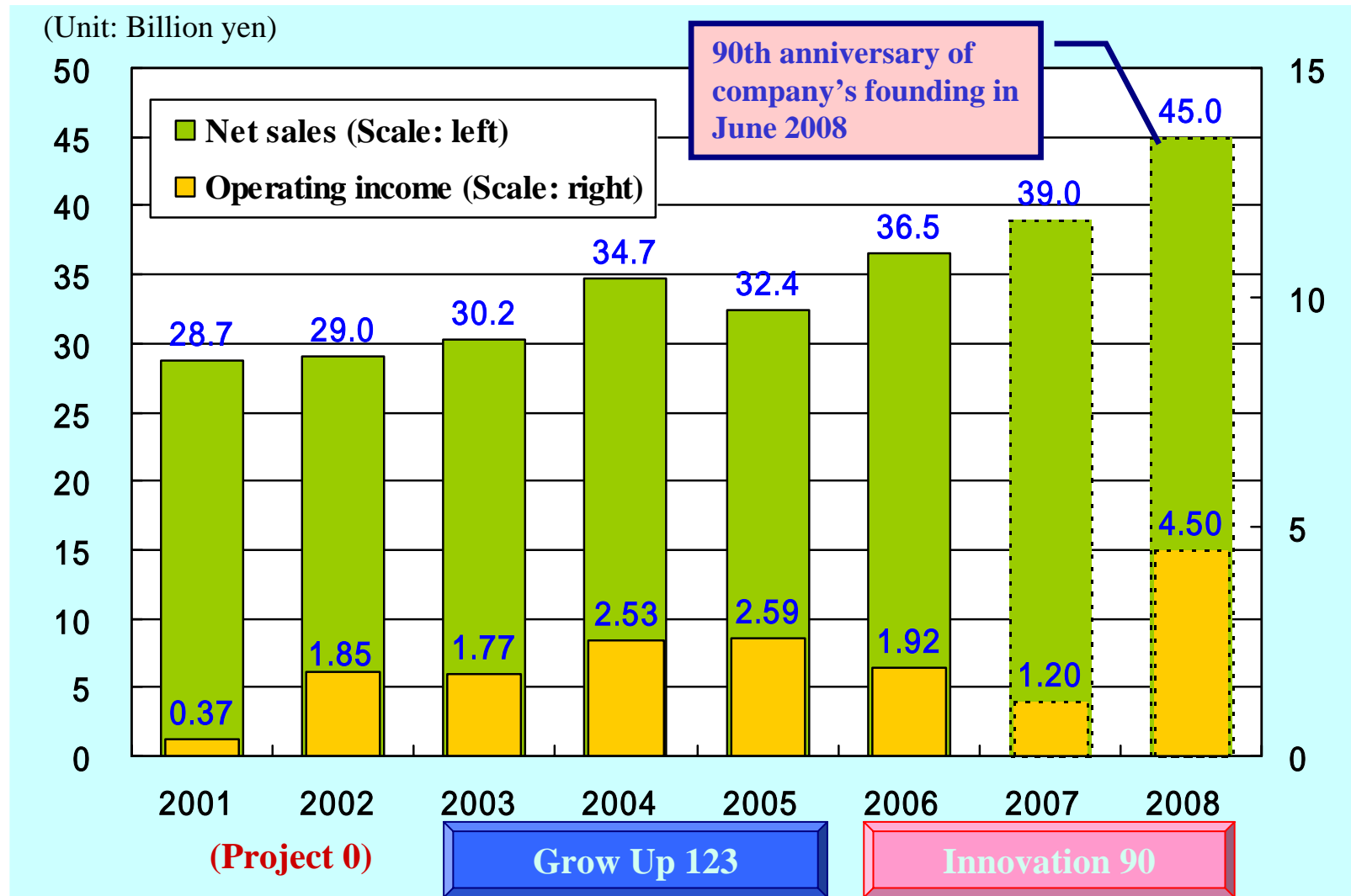
2. Outlook for Full Year Financial Results for Year Ending May 2008

2-2. Non-consolidated Outlook

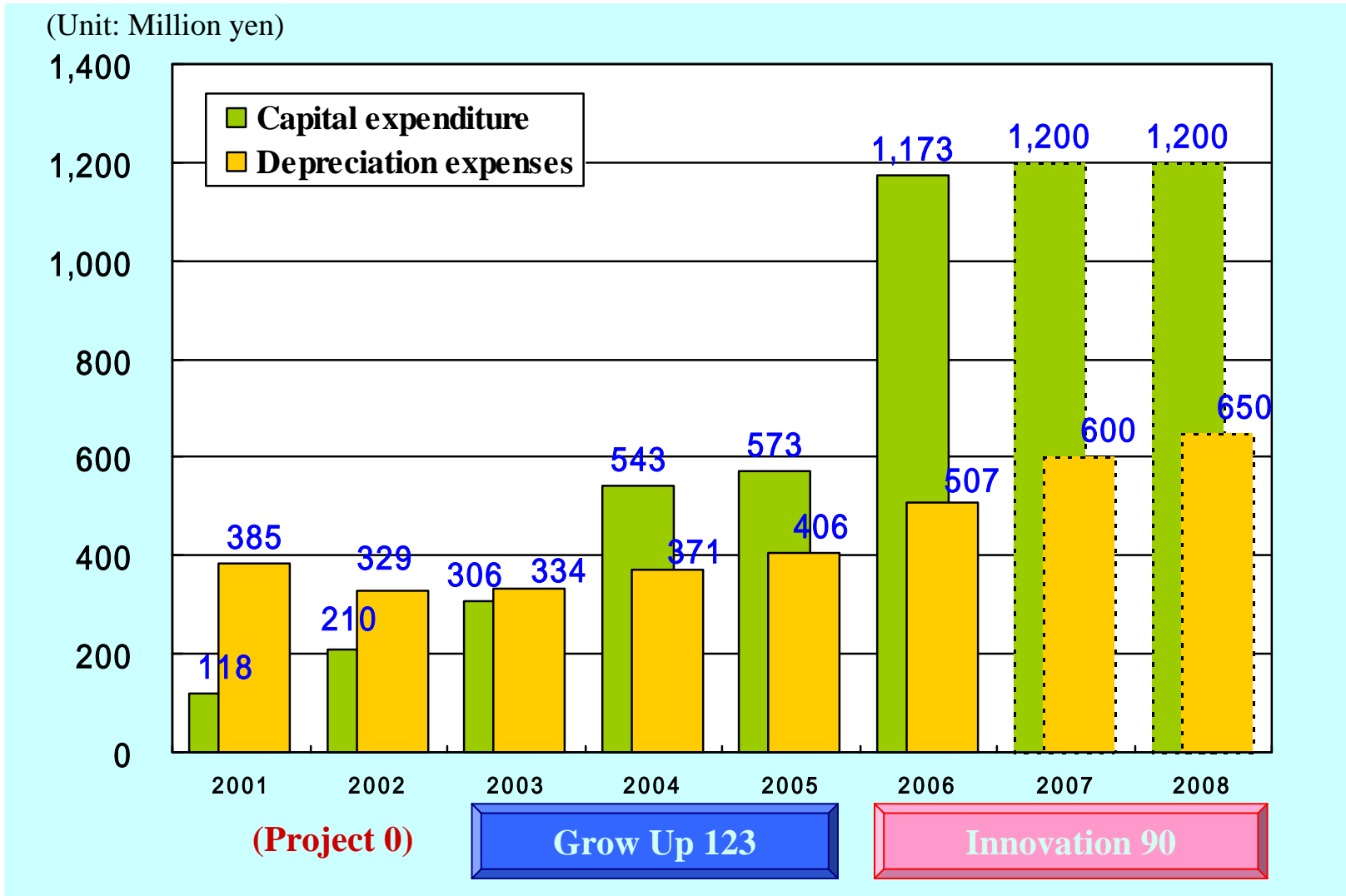
(Unit: Million yen)

	Fiscal 2006	Fiscal 2007 Initial projections	Fiscal 2007 Revised figures	Comparison with projections
Orders received	31,663	34,800	34,800	No change
Net sales	30,755	32,500	32,500	No change
Operating income	1,074	1,500	300	-1,200
%	3.5%	4.6%	0.9%	
Ordinary income	1,336	1,600	400	-1,200
%	4.3%	4.9%	1.2%	
Net income	(288)	1,000	200	-800
%	-	3.0%	0.6%	
Net income per share (yen)	(6.34)	22.01	4.41	-17.6

Reference: Changes in Consolidated Net sales and Operating Income

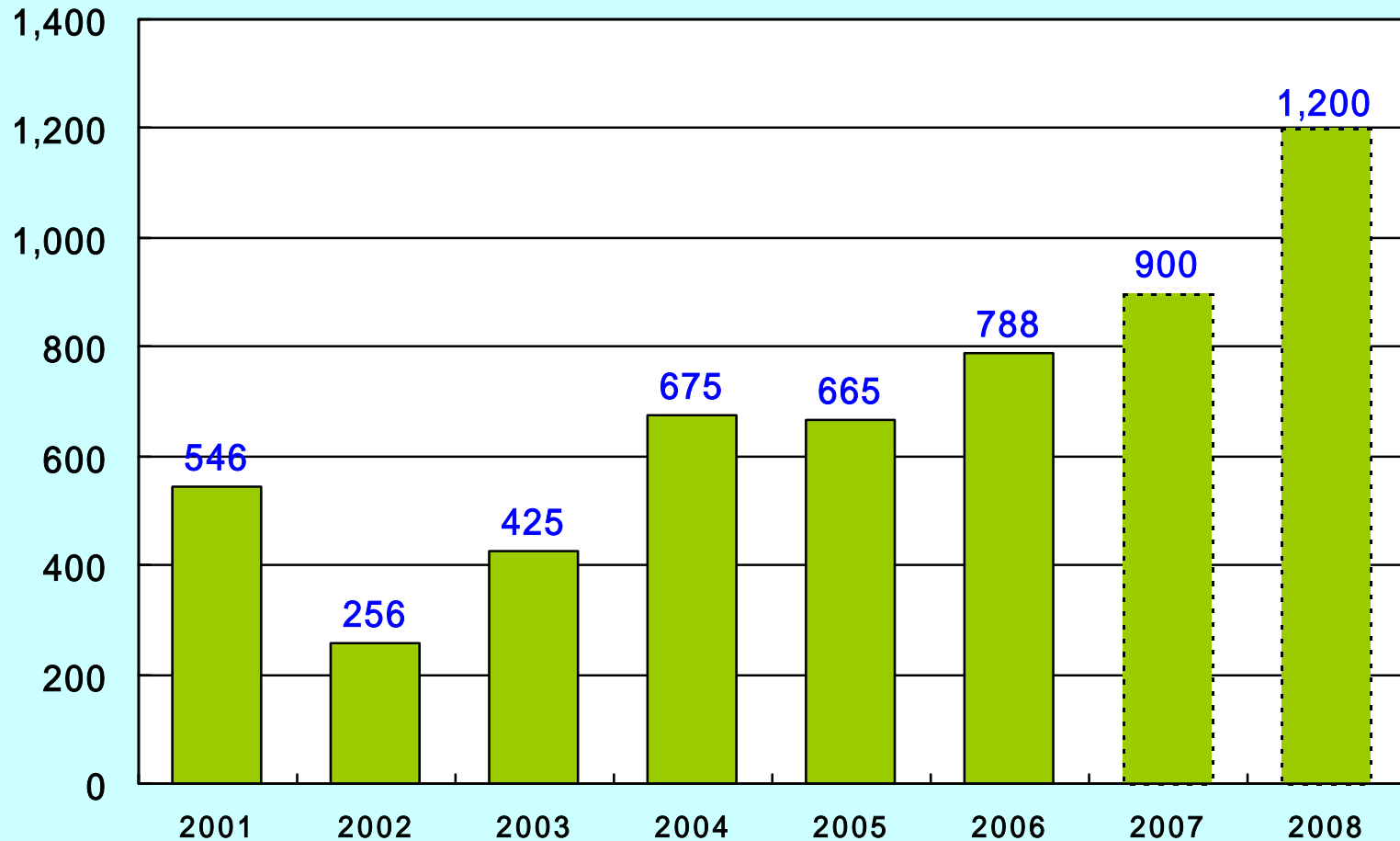


Reference: Changes in Consolidated Capital Expenditure and Depreciation Expenses



Reference: Changes in Consolidated Research and Development Expenses

(Unit: Million yen)

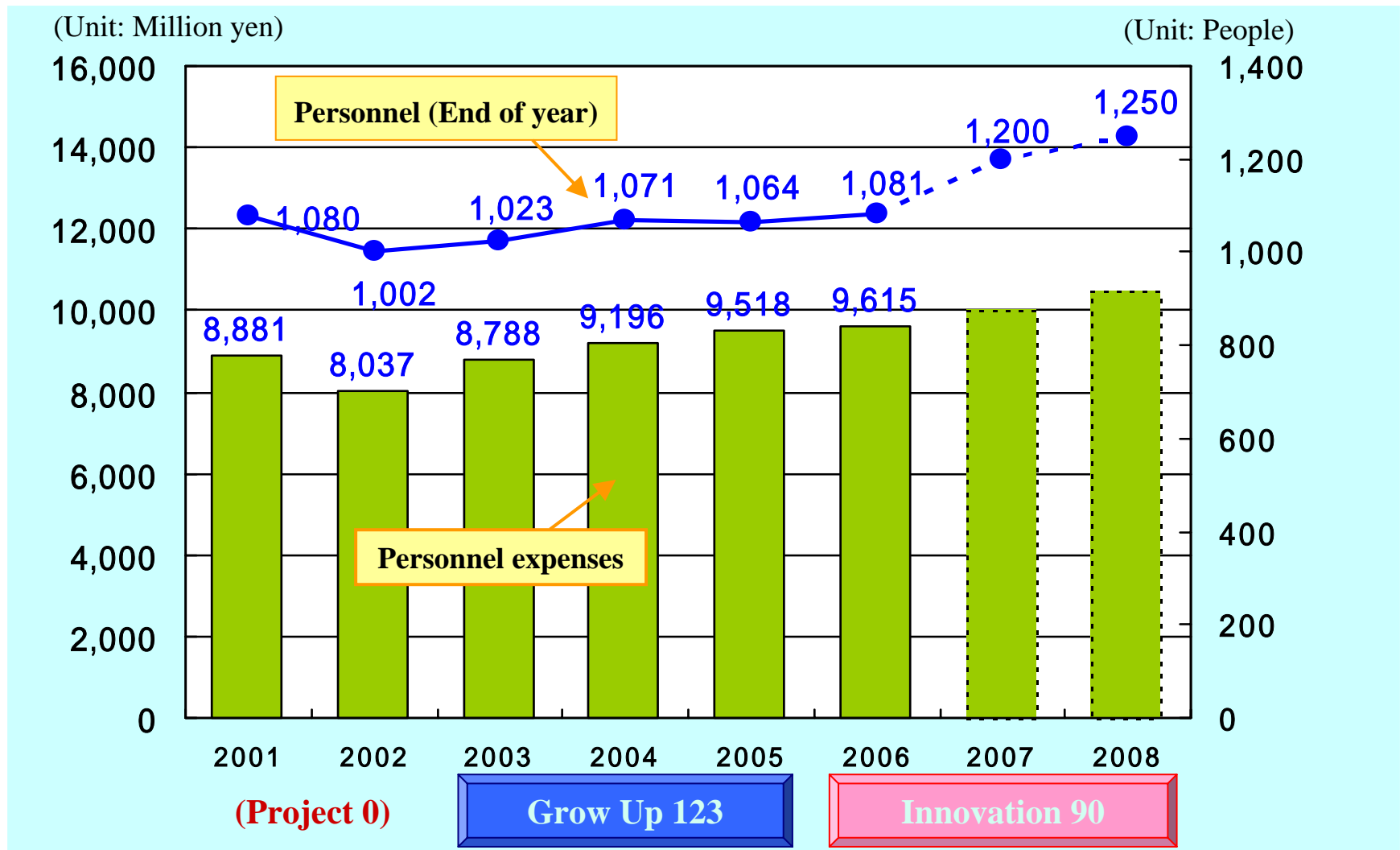


(Project 0)

Grow Up 123

Innovation 90

Reference: Changes in Consolidated Personnel Expenses



3. Status and Strategies, by Business Segment

3-1. Transportation Business Segment

(a) Interim consolidated financial results for year ending May 2008

(Unit: Million yen)

	Fiscal 2006 Interim period	Fiscal 2007 Interim period	Year-on year change
Orders received	7,836	11,900	+4,064
Net sales	8,194	8,941	+747
Operating income	253	(208)	-461
%	3.1%	-	

Analysis of factors in year-on-year change

Orders received: Domestic and overseas both strong, orders for Chengdu subway

Net sales: Domestic solid, overseas flat

Operating income: Cost cutting projections not achieved, Overlapping of projects with high proportion of new design, such as Shinkansen, overseas and environmentally friendly products
Expansion in advance investment for business expansion

(b) Outlook for full year consolidated results for year ending May 2008

(Unit: Million yen)

	Fiscal 2007	Year-on year change
Orders received	20,000	+1,100
Net sales	18,000	+771
Operating income	100	-312
%	0.6%	

Plans and strategies for year ending May 2008

Orders received:

- Expansion of sales
- In particular, strengthening of domestic private railways and overseas expansion
- Boosting expanded sales of environmentally friendly (energy conservation) products

Operating income:

- Improving plant profit and loss through boosted productivity and cost cutting

New product development

3. Status and Strategies, by Business Segment

3-1. Transportation Business Segment

(2) Introduction of Trolley Voltage Compensation System for Streetcars



Trolley Voltage Compensation System equipment



Kagoshima City Transportation Bureau's latest Light Rail Vehicle (LRV) rolling stock

3. Status and Strategies, by Business Segment

3-1. Transportation Business Segment

- (3) Toyo Denki supplied converter units, drive inverter units, auxiliary power supply apparatus, gear units, traction motors, and pantographs for the hybrid LRV unveiled by the Railway Technical Research Institute on October 25.



**Running on batteries
(Without pantograph)**



With pantograph

Photographs supplied by Railway Technical Research Institute

3. Status and Strategies, by Business Segment

3-1. Transportation Business Segment

(4) October 12: Order for rolling stock electrical equipment for Chengdu subway line 1 in Sichuan Province, China. Total contract: About 3.5 billion yen with main products including electrical equipment for rolling stock (running control units, traction motors, gear units, low voltage power units, and communications systems) and brake units for rolling stock.



Signing ceremony

Beijing:	726 cars
Chengdu:	102 cars
Total:	828 cars

3. Status and Strategies, by Business Segment

3-1. Transportation Business Segment

(5) Changzhou Ruiyang Transmission Technology Co., Ltd., plant operating from January 2008.

Expanding production of gear units.



Gear unit



January 2008 new plant operation

3. Status and Strategies, by Business Segment

3-2. Industrial Systems Segment

(a) Interim consolidated financial results for year ending May 2008

(Unit: Million yen)

	Fiscal 2006 Interim period	Fiscal 2007 Interim period	Year-on year change
Orders received	8,288	8,463	+175
Net sales	6,673	7,352	+679
Operating income	75	304	+229
%	1.1%	4.1%	

(b) Outlook for full year consolidated results for year ending May 2008

(Unit: Million yen)

	Fiscal 2007	Year-on year change
Orders received	18,500	+1,814
Net sales	18,500	+2,810
Operating income	1,000	-2
%	5.4%	

Analysis of factors in year-on-year change

Orders received: Processing equipment strong
Net sales: Testing equipment solid
Operating income: Rising sales contributing

Plans and strategies for year ending May 2008

Expanding orders and increasing value added:

- Increased market share of testing equipment for automotive development
- Development of next-generation inverter
- Expanded sales of ED motor (IPM synchronous motor)
- Expanded dedicated sales network for invertors
- Increased value added by shortening production times

3. Status and Strategies, by Business Segment

3-2. Industrial Systems Segment

- (1) Toyo Denki exhibited at System Control Fair 2007. Displayed ED motor, UF motor, and ultra high-speed motors used in testing equipment for automotive development which bring together the company's motor drive technology, showcasing its line-up of intelligent invertors.
(November 13 – 16, 2007)



Toyo Denki booth,
System Control Fair



Motor used in testing equipment for
automotive development
(Low inertia, low torque: 750kW)

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, to go 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 CO₂ 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) Interim consolidated financial results for year ending May 2008

(Unit: Million yen)

	Fiscal 2006 Interim period	Fiscal 2007 Interim period	Year-on year change
Orders received	1,146	1,239	+93
Net sales	1,267	627	-640
Operating income	113	(139)	-252
%	8.9%	-	

(b) Outlook for full year consolidated results for year ending May 2008

(Unit: Million yen)

	Fiscal 2007	Year-on year change
Orders received	2,500	+437
Net sales	2,500	-1,150
Operating income	100	-312
%	4.0%	

Analysis of factors in year-on-year change

Orders received: Station operating system IC compatible equipment solid
 Net sales: PASMO, Suica related equipment settled for the time being
 Operating income: Effect of declining sales

Plans and strategies for year ending May 2008

Efforts aimed at business expansion:

- Development of remote monitoring technology and market development
- Development of IC compatible equipment and market development

3. Status and Strategies, by Business Segment

3-3. Information Systems Segment

- (1) Toyo Denki exhibited at Maintenance Techno Show 2007
 Demonstrations of the radio facility data collection system and the remote monitoring system (location information on mobile electronic lock and monitoring and control of status of facilities and equipment), which assist with labor savings for on site inspections of electrical equipment. (November 6 – 9, 2007)



Toyo Denki booth,
 Maintenance Techno Show 2007



Remote monitoring and
 control system terminal
 μTOP



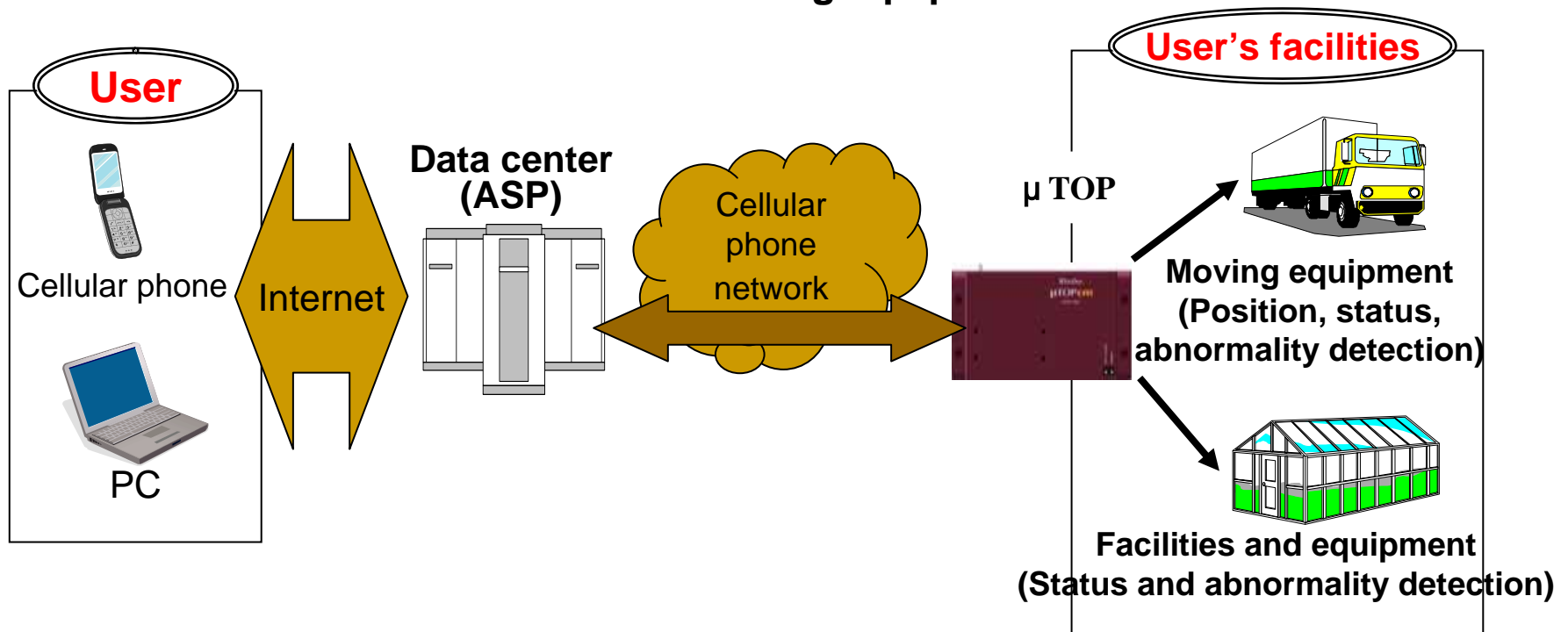
Radio facility data
 collection system,
 μTURTLE

3. Status and Strategies, by Business Segment

3-3. Information Systems Segment

(2) Expanding sales of remote monitoring equipment

Main applications: Monitoring, data collection and control for facilities and moving equipment



4. Other

4-1. Capital Expenditure

Toyo Denki has decided to make a total of 2.4 billion yen in capital expenditure with the aims of expanding production capacity and development and design capabilities (scheduled for completion in May 2010).

Planned site of
new R&D center



Toyo Denki's Yokohama works

4. Other

4-2. Overseas Sales

(Unit: Million yen)

	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007 Interim period
Overseas sales	3,723	5,387	4,986	4,117	2,652
Consolidated sales	30,175	34,668	32,454	36,571	16,922
Overseas sales as proportion of consolidated sales (%)	12.3	15.5	15.4	11.3	15.7

4. Other

4-3. Dividends

- (1) Toyo Denki's fundamental policy is 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 financial position.

(Unit: Yen)

	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Fiscal 2006	Fiscal 2007
Annual dividend per share	2.50	3.00	5.00	6.00	6.00	6.00