



In presenting this overview of the Toyo Denki Group's business results for fiscal 2008 (the fiscal year from June 1, 2008 to May 31, 2009 and 148th business term), I would like to thank all of our shareholders for their unfailing loyalty over the past year.

It is also my honor to report that at the conclusion of the Company's 148th Ordinary General Meeting of Shareholders and subsequent Board of Directors' meeting, I was appointed to the position of president of Toyo Denki Seizo K.K. Under a new management structure, the Toyo Denki Group is united in its efforts to secure sustainable growth. As we work toward our established goals, we ask for your continued support and understanding.

August 2009

Hiroshi Tsuchida
President

Key Features

- **Unavoidable downturn in operating conditions in the Industrial Systems segment on the back of a slump in capital investment.**
- **Amid this decrease in net sales, operating as well as ordinary income increased slightly buoyed by positive improvements in manufacturing efficiency.**
- **Net income declined following the drop in share orders received and net sales owing largely to the rapid and dramatic deterioration in Industrial Systems segment on the back of a slump in capital investment.**

Results of Operations in the Fiscal Year under Review

In fiscal 2008, the fiscal year ended May 31, 2009, economic conditions in Japan were extremely harsh. This was attributable to a variety of factors including the sub-prime loan problem in the United States, which triggered a worldwide financial crisis and subsequent downturn in the global economy. This difficult operating environment was exacerbated by the substantial contraction in corporate sector production activity, impacted by the sharp and dramatic appreciation in the value of the yen from October 2008, and such other factors as the abrupt slump in capital investment. In response to these economic conditions, the Toyo Denki Group worked to expand its operations and increase its corporate value through the execution of its medium-term management plan, the Innovation 90 Plan. Consolidated performance during the fiscal year under review was as follows.

Orders Received: 36,464 million yen (Down 6.2% year on year)

Orders received amounted to 36,464 million yen, a decrease of 6.2% compared with the previous fiscal year. Despite an upswing in the Transportation Business segment both in Japan and overseas, this downturn largely reflected the substantial decrease in Industrial Systems and Information Systems segment orders owing to the slump in capital investment demand in Japan.

Net Sales: 33,226 million yen (Down 12.9% year on year)

Net sales totaled 33,226 million yen, 12.9% lower than the level recorded in the previous fiscal year. While sales in the Transportation Business segment were essentially unchanged year on year, results in each of the Industrial Systems and Information Systems segments declined year on year for the same reasons that brought about the decrease in orders received.

Operating Income: 1,396 million yen (Up 0.4% year on year)

Ordinary Income: 1,267 million yen (Up 5.9% year on year)

Net Income: 103 million yen (Down 80.7% year on year)

From a profit perspective, gross profit margins improved throughout the fiscal year under review, despite the year-on-year decline in net sales. As a result, operating income edged up 0.4% compared with the previous fiscal year to 1,396 million yen while ordinary income climbed 5.9% year on year to 1,267 million yen. Accounting for such factors as the loss on devaluation of investment securities, however, the Toyo Denki Group reported a net income of 103 million yen, a drop of 80.7% compared with the previous fiscal year.

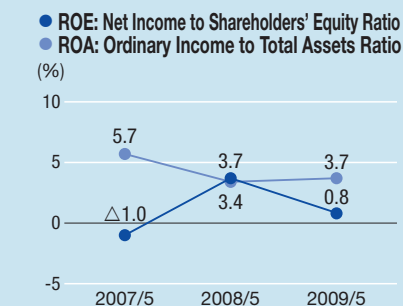
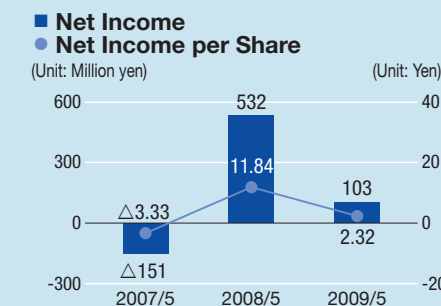
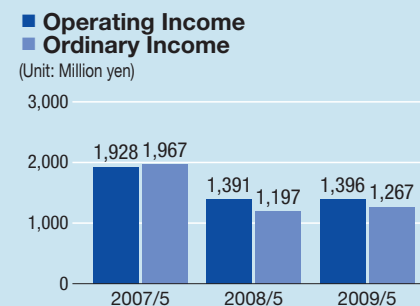
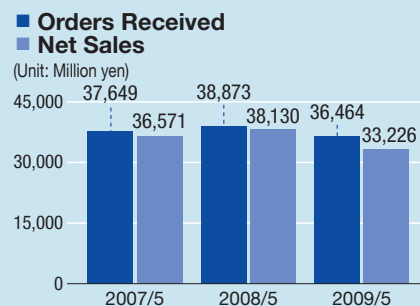
Outlook for the Next Fiscal Year

While there are increased signs that the financial crisis-induced recession has bottomed out, difficult operating conditions are anticipated to persist into the future. On a positive note, however, railway-related infrastructure investment around the world is projected to increase markedly. Under these circumstances, the Toyo Denki Group has formulated its new medium-term management plan, the Challenge Up Plan, which commences in the fiscal year ending May 31, 2010. Under this plan, the Group will work diligently to further strengthen its management foundation while at the same time enhancing its corporate value. Consolidated forecasts by business segment for the fiscal year ending May 31, 2010 are as follows.

(Unit: Million yen)

	Net sales	Operating income
Transportation Business Division	22,500	1,650
Industry Business Division	10,000	-300
IT Business Division	2,200	50
New Business	300	-100
Consolidated Total	35,000	1,300

Consolidated Performance





Building a Robust Business Platform Amidst a Harsh External Operating Environment

In Taking Up the Challenge to Secure Further Growth, the Toyo Denki Group Will Continue to Deliver New Value.

Buffeted by the impacts of the global economic crisis, the Toyo Denki Group was confronted by the harsh realization that it had failed to achieve its established goals at the end of both its 148th business term and the Innovation 90 Plan, its recently concluded three-year medium-term management plan. Against this backdrop, Hiroshi Tsuchida, Toyo Denki's newly appointed president, outlined the issues confronted and results achieved to date as well as the Group's growth strategies leading into the future.

August 2009

Hiroshi Tsuchida President

Q As Toyo Denki's newly appointed president, could you please provide us with an insight into your ambitions and aspirations?

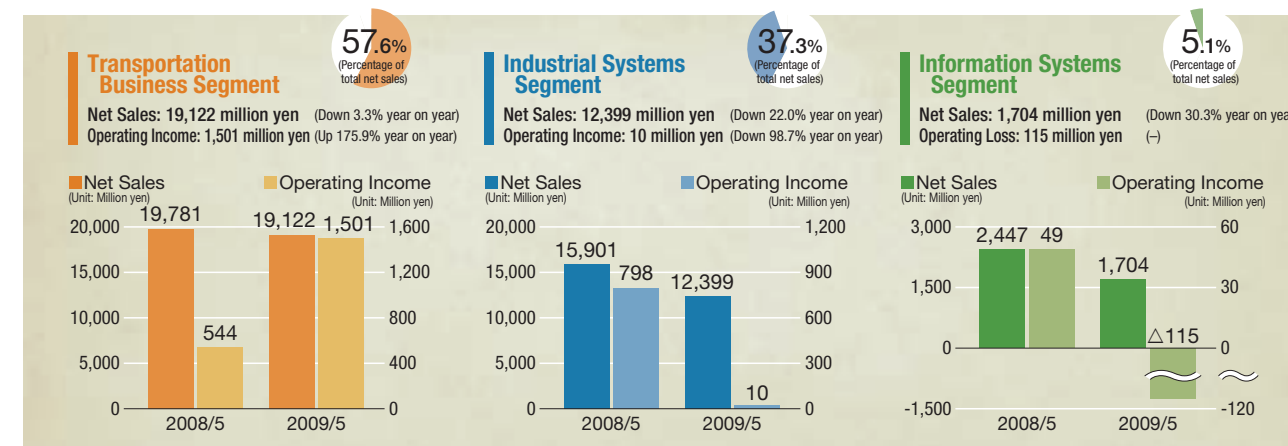
As the newly appointed president of a company that has consistently contributed to society through the development and application of innovative electrical technology over a period that spans nine decades, I am both honored and humbled at the task that lies ahead, fully recognizing my responsibilities in this most difficult of ages.

I am very much a believer in the adage that a company begins and ends with its people. Naturally, as the newly appointed president, it is imperative that I personally drive the Group forward, working diligently to further enhance corporate value. It is through the collective energy and power of all employees, however, that we will achieve business expansion and profit growth. It is my role therefore to ensure a corporate environment that is conducive to achieving these stated goals. As president, I am committed to making every effort to fulfill the expectations and garner the trust of shareholders.

Q In the context of the Group's performance in its 148th business term, please tell us about the issues confronted by and results of each business segment?

In the Transportation Business segment, we took steps to increase our market share in Japan and to further development our overseas business focusing mainly on China and North America. In the fiscal year under review, railway companies in Japan continued to place considerable weight on transportation services that take into increasing consideration concerns for safety, security, comfort and the environment. As a result, orders received were firm reflecting positive demand for new and updated railway stock.

Fiscal 2008 was also a year in which we strengthened our foothold in overseas markets, particularly in China. In October 2008, Toyo Denki was invited to an award ceremony to recognize contributions to the Beijing Olympic Games by the Beijing Mass Transit Railway Operation Corp., Ltd., and was honored for the features and reliability of its products, extensive delivery record and outstanding maintenance systems and service that contributed to a successful Beijing Olympic Games. Leveraging this performance and the trust



that it garners, Toyo Denki will continue to expand its business even further.

In the Industrial Systems segment we confronted an extremely harsh operating environment. Suffering from the effects of the global economic recession, corporate sector capital investment saw an abrupt downturn. As a result, orders received and sales in this segment declined dramatically.

Demand for IC card-compatible equipment settled leading to a decline in orders received and sales in the Information Systems segment. From the fiscal year ending May 31, 2010, Toyo Denki is projecting the launch of a host of new businesses and the release of new products that embody the Group's continued emphasis on research and development that draws on the Group's core technologies.

Q The recently completed 148th business term was the last fiscal year of the Innovation 90 Plan. Please provide us with an overview of the Group's progress and results under the plan.

The fiscal year ended May 31, 2009 marked both the Company's 90th anniversary since foundation and the completion of its three-year medium-term management plan. Under this plan, we implemented a wide spectrum of initiatives aimed at cultivating new customers and enhancing Group corporate value. From the outset of the Innovation 90 Plan, we confronted harsh operating conditions. After a prolonged period of intensifying competition, sharp hikes in the prices of raw materials and other factors, difficult conditions were exacerbated from the second half of the Plan by the global financial crisis which triggered a worldwide recession and abrupt appreciation in the value of the yen. Buckling under the mounting pressure of these adverse conditions, we failed to achieve the objectives set at the beginning of the three-year period.

Despite this harsh operating environment, we continued to proactively develop our Transportation Business overseas and took steps to develop new technologies in the Information Systems segment that would lead the way in remote monitoring systems. On this basis, I am confident that we have laid a platform that will help to expand business activities and pave a path toward future growth.

Taking into consideration the results of the Innovation 90 Plan and the issues that remain pending, we have formulated the Challenge Up Plan, our new three-year medium-term plan that takes us through to the fiscal year ending May 31, 2012. Guided by this plan, we have adopted an increasingly unified approach as we embark upon a journey filled with exciting new challenges.

Q What then do you plan to achieve under the Challenge Up Plan and what are its key points?

As we take up this fresh challenge to realize our long-term vision, the Toyo Denki Group has identified six key policies as its strives to achieve the established targets of net sales of 42 billion yen and operating income of 3 billion yen (Please refer to page 6).

(1) In its efforts to increase Group corporate value, Toyo Denki will place every emphasis on promoting a consolidated operating division system while thoroughly implementing cash flow management. Through these means, the Group will solidify its management and business platforms. At the same time, Toyo Denki will take full advantage of business alliances and promote collaboration with the aim of developing business in an efficient and timely manner.

In this latter regard, Toyo Denki concluded a business alliance agreement with Fuji Electric System Co., Ltd. for the manufacture and sale overseas of electrical equipment used in rail vehicles.

An Interview with the President

(2) Cultivating overseas markets where increased demand is anticipated is considered an important key to the Group's business growth. On this basis, Toyo Denki has identified a target ratio of overseas sales to total sales of 30% in its Challenge Up Plan. Positioned as an integral component in the nation's ongoing development, efforts to further enhance rail infrastructure in China are seen as providing a lucrative opportunity for the Toyo Denki Group. Coupled with the Obama Administration's focus on high-speed rail transportation throughout North America, we will place considerable weight on markets where we boast an established track record. Leveraging our accumulated expertise, we will also pursue business in such markets as India and Russia, countries that continue to enjoy rapid growth. Based on the aforementioned, the Toyo Denki Group will actively pursue cooperative ties and alliances with appropriate business partners in an effort to reinforce our overseas market development capabilities.

(3) Working to create new businesses, Toyo Denki is taking full advantage of its proprietary in-wheel motor and other technologies to develop innovative direct drive system applications for electric vehicles. Representing another milestone in the Group's ongoing development, Toyo Denki newly established the Business Development Department in June 2009 and is accelerating initiatives to develop new businesses.

(4) As a part of its existing business activities, Toyo Denki will continue to develop and provide new products that anticipate the needs of customers. In addition to the development of such products as fully enclosed induction motors in its rail operations and highly efficient, intelligent inverters in its Industrial Systems business that collectively contribute to the creation and maintenance of a low-carbon society, Toyo Denki is expanding sales of its remote monitoring systems that utilize information technologies.

(5) In an area of significant importance that calls into question Toyo Denki's *raison d'être* as a responsible corporate citizen and member of the community, the Group will substantially bolster its CSR activities.

The Japan Fair Trade Commission examined the participants in the bidding for designated electrical equipment construction ordered by the City of Sapporo in Hokkaido in accordance with provisions of the Anti-Monopoly Act and issued cease and desist as well as surcharge payment orders in October 2008. Following determination of the aforementioned orders, Toyo Denki received a business suspension order, based on the Construction Industry Act, from Japan's Ministry of Land, Infrastructure, Transport and Tourism in April 2009. The Toyo Denki Group accepts this reprimand with the utmost seriousness. I would like to express my sincere apologies to all stakeholders for the considerable inconvenience caused. Looking ahead, the Group is committed to reviewing its compliance systems and raising employee awareness toward strict adherence to all laws. Through these means, the Toyo Denki Group will endeavor to restore its credibility and engender the trust of all stakeholders.

As a part of our environmental protection activities, we formulated a Group-wide Environmental Philosophy in June 2009. With this as our platform, we plan to implement concrete measures aimed at protecting the global environment.

(6) Toyo Denki recognizes that the driving force behind each of the aforementioned policies is its people. In this regard, we will establish and promote a dynamic corporate culture and upgrade human resource education and training to achieve our established goals.

Leveraging the flexibility and creativity inherent in each and every Toyo Denki employee, together with the Group's sophisticated technologies nurtured since its foundation, we will continue to development innovative products and systems that are both sought and revered by the community at large. Moving forward, the Toyo Denki Group is dedicated to delivering new value to society.



Q Do you have any comments you would like to make to shareholders?

Both management and Group employees are united in their commitment to develop businesses that will further enhance the relationship of trust nurtured with shareholders, the fruits of these endeavors being the uninterrupted upswing in corporate value and the stable return of profits.

In the fiscal year ended May 31, 2009, we confronted an unprecedented economic recession of global proportions. Despite this harsh operating environment, the Toyo Denki Group posted fiscal year-end profits and declared a cash dividend of 6 yen per share, unchanged from the previous fiscal year. Looking ahead, our goal is to deliver to our shareholders a constant cash dividend per share of 6 yen or more in this current fiscal year and beyond.

As we work toward our established goals, I humbly request the continued support and understanding of all shareholders.

Challenge Up Plan, the New Medium-Term Management Plan

Essential Features of the Plan's Key Policies

- (1) **Further increase Group corporate value**
 - Take full advantage of business alliances
 - Place every emphasis on promoting a consolidated operating division system
 - Thoroughly implement cash flow management
- (2) **Fortify the Group's efforts toward overseas expansion**
 - Focus on the Chinese and North American markets
 - Strengthen operating platforms in the Indian and Russian markets
- (3) **Generate new businesses**
 - Enter the electrical product and equipment markets targeting environmentally friendly electric vehicles
- (4) **Develop new products**
 - Develop specific products that contribute to the creation and maintenance of a low-carbon society
 - Develop services that utilize information technology
- (5) **Bolster CSR activities**
 - Formulate a Group-wide Environmental Philosophy as a platform for increased activity and effort aimed at protecting the global environment
- (6) **Establish and promote a dynamic corporate culture**
 - Continue to implement 5S activities—Sort (*seiri*); Set in order (*seiton*); Shine (*seiso*); Standardize (*seiketsu*); Sustain / Self-discipline (*shitsuke*)—and improve the environment of each workplace
 - Reform and upgrade human resource education and training systems

Consolidated Management Targets to be Achieved by the Final Fiscal Year of the Plan, the Fiscal Year Ending May 31, 2012

- (1) **Net sales: 42 billion yen**
- (2) **Operating income (margin): 3 billion yen (7.2%)**
- (3) **Ratio of overseas sales to total sales: 30%**
- (4) **Return on equity (ROE): 10%**
- (5) **Experimental and research expenses: 1.2 billion yen**
- (6) **Capital investment (IT investment): 1.2 billion yen (0.3 billion yen)**
- (7) **Number of employees: 1,100**

● Consolidated Results for the Fiscal Year Ended May 31, 2009 and Management Targets in the Final Fiscal Year of the Plan

(Unit: Million yen)

	Fiscal 2008 Actual	Fiscal 2011 Targets
Net sales	33,226	42,000
Operating income %	1,396 4.2%	3,000 7.2%
Ordinary income	1,267	2,800
Net income	103	1,500

Long-Term Vision

- Drawing on the core electric motor drive technology that the Group has amassed since its foundation, the Toyo Denki Group is committed to realizing next-generation high-speed railroads and a recycling-based society, by fusing highly sophisticated information-oriented machines and electronics.
- Net sales: 100 billion yen



Toyo Denki's Activities in China's Railway Market

	2010	2020
Total operating rail line length	90,000 km or more	120,000 km or more
Electrification ratio	45% or more	60% or more
Double track ratio	45% or more	50% or more

Current Status of China's Railway Market

The Chinese government announced details of an economic stimulus package totaling 4 trillion yuan in November 2008, placing particular emphasis on efforts to further develop the nation's transportation infrastructure. Working to enhance China's high-speed rail network, the Ministry of Railways of the People's Republic of China plans to have more than 120,000 kilometers of rail lines in service with electrified lines and double tracks accounting for over 60% and 50%, respectively, by 2020.

For its part, Japan currently boasts approximately 27,000 kilometers of rail lines in service with electrified lines and double tracks accounting for 57% and 35%, respectively. On this basis, China's rail market is expected to experience substantial growth moving forward into the future.

Subway and monorail lines are also attracting interest. Such government-designated cities as Shanghai and various ministries are in particular promoting a succession of projects as a part of the nation's overall municipal transportation development plans.

A History of Toyo Denki's Activities in China

From the second half of the 1980s	Collaborated with a rail vehicle factory of China's national railway to develop variable voltage, variable frequency (VVVF) rail vehicle for use in urban areas both inside and outside China
1997	Received an order for VVVF electrical equipment for trains servicing the Beijing Subway Fuba Line (the launch of AC-motor drive trains in China)
2003	Established Hunan Xiangyang Electric Co., Ltd. in China (the company is engaged in the manufacture of electrical equipment for urban transportation use)
2005	Received an order for electrical equipment for trains servicing the Beijing Subway Line 10 Opened an office in Beijing Established Changzhou Taiping Zhanyun Automatic Door Co., Ltd., in China (the company is engaged in the manufacture and sale of door closing equipment for use in buses and trains)
2006	Received an order for electrical equipment for trains servicing the Beijing Subway Line 1 Established Changzhou Ruiyang Transmission Technology Co., Ltd. in China (the company is engaged in the manufacture of gear units for urban transportation use)
2007	Received an order for electrical equipment for trains servicing the Chengdu Metro Line 1
2008	Received an order for gear units for use in high-speed trains that service the line connecting Wuhan and Guangzhou
2009	Received simultaneous orders for an aggregate total of 528 rail vehicles that are projected to service three new lines within the Beijing Subway network (plan for 2015) — Please refer to the upper-right lines 1 to 3

Chengdu Metro Line 1 to commence operations in 2010



Toyo Denki commenced the progressive delivery of electrical equipment (running control units, traction motors, drive gear units, low voltage power units, transmission units) and brake units for rail vehicles from 2008.

Four vertical commuter lines running roughly from south to north

- 1 Beijing — Shanghai
- 2 Beijing — Wuhan — Guangzhou — Shenzhen
- 3 Beijing — Shenyang — Harbin
- 4 Shanghai — Hangzhou — Ningbo — Fuzhou — Shenzhen

Four horizontal commuter lines running roughly from west to east

- A Xuzhou — Zhengzhou — Lanzhou
- B Hangzhou — Nanchang — Changsha — Guiyang — Kunming
- C Qingdao — Shijiazhuang — Taiyuan
- D Nanjing — Wuhan — Chongqing — Chengdu

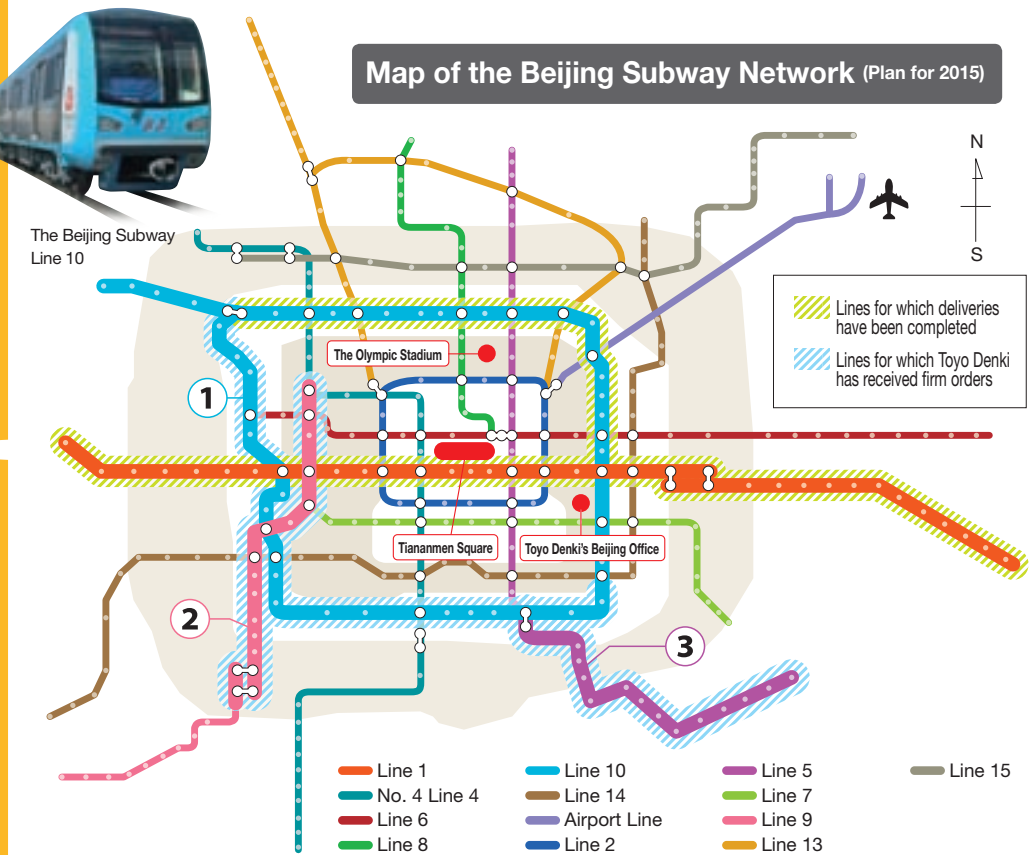


Received an order for gear units for trains servicing the Wuhan and Guangzhou line.



Toyo Denki received an order for gear units for use in 30 high-speed (350 kilometer per hour) trains (eight vehicles per train) that service the line connecting Wuhan and Guangzhou.

Map of the Beijing Subway Network (Plan for 2015)



Toyo Denki's Initiatives in China

As indicated in the map of the Beijing Subway Network shown above, significant development is anticipated through to 2015. Looking ahead, Toyo Denki will actively tender for this new business and work diligently to secure new orders and an increase in its share of the overall project.

Leveraging the know-how gained through its participation in the development of the Beijing Subway Network, Toyo Denki will also take concrete steps to secure new orders in other urban transportation projects focusing on regional areas such as the Chengdu Metro in Sichuan Province.

Taking full advantage of its foothold in China's high-speed rail market, built on an established strength, namely the supply of gear units, Toyo Denki will endeavor to secure orders for other electrical equipment for use in rail vehicles and reinforce its relationships with Chinese railcar manufacturers.

In each case, the Group will look to optimize cooperative ties between manufacturing bases in Japan and joint ventures established in China with local companies. Through these means, every effort will be made to further enhance the overall awareness and acceptance of the Toyo Denki brand in China.

An Environmental Philosophy Formulated

Taking into consideration the growing importance of contributions by the corporate sector to promote global environmental protection, Toyo Denki formulated its Environmental Philosophy in June 2009 as a policy platform for its ongoing environmental activities.

Toyo Denki supplies a wide spectrum of environmentally friendly products in each of its Transportation Business, Industrial Systems and Information Systems segments. Underpinned by the following Environmental Philosophy and Code of Conduct, Toyo Denki will step up its environmental protection activities working tirelessly to contribute to the development of a sustainable society.

● Environmental Philosophy ●

The Toyo Denki Group has positioned global environmental protection as a key management issues. In this context, the Group will make every effort to contribute to the development of a sustainable society.

● Code of Conduct ●

Through future technologies that harmoniously blend the needs of the global environment and humankind, the Toyo Denki Group will consistently deliver products and services that work to reduce adverse impacts on the environment. To this end, the Group is committed to engaging in the following conduct.

1. Strictly comply with all environment-related laws and regulations
2. Engage in activities that reduce environmental load including efforts to cutback energy consumption at each stage of its products' lifecycles from planning through development to design, manufacture, sale, use and disposal
3. Establish and implement systems that facilitate the ongoing promotion of global environmental protection activities
4. Raise environmental awareness in each and every employee through education and training throughout the Group

June 2009



The new research, development and design center under construction.



An image of the completed wind-power generator.

Installing Wind- and Solar-Power Generation Facilities at Its Research, Development and Design Center

Toyo Denki continues to make steady progress in the construction of a research, development and design center within its Yokohama Works. The new complex is scheduled for completion in October 2010. Taking into consideration environmental concerns, current plans call for the installation of wind- and solar-power generation facilities on the roof of the center.

Utilizing the world's first control circuit- or converter circuit-less method, a technique developed at Toyo Denki's research center, the wind turbine generator scheduled for installation is a highly efficient wind-power generation system. Consisting of a permanent magnet multi-pole synchronous generator optimized to a wind turbine, reactor and rectifier, the system does not use either a control unit or pulse width modulation converter.

In addition, the solar power system is estimated to produce annual electricity output of 11,000 kWh. Accordingly, the installation of this system is projected to reduce CO₂ emissions by approximately 7,700 kg each year.

Placing every possible emphasis on the environment, designs for the new center incorporate a host of features including energy-saving lighting as well as water-saving hygienic equipment.