

April 13, 2010

Summary of Business Results for the First Three Quarters

For fiscal 2009, the fiscal year ending May 31, 2010

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Scheduled date of submission of quarterly financial report: April 13, 2010

Scheduled date of commencement of dividend payments: —

Note: Figures throughout this report are rounded down to the nearest million yen unless otherwise stated.

1. Consolidated Business Results for the First Three Quarters of Fiscal 2009

(June 1, 2009 – February 28, 2010)

(1) Consolidated Operating Results

(In millions of yen, except where noted; percentage figures show the year-on-year change.)

	Net Sales		Operating Income		Ordinary Income		Net Loss	
First Three Quarters, FY2009	23,624	1.1	108	(86.5)	116	(83.8)	(211)	—
First Three Quarters, FY2008	23,356	—	804	—	720	—	(193)	—

	Net Loss per Share (Yen)	Diluted Net Income per Share (Yen)
First Three Quarters, FY2009	(4.79)	—
First Three Quarters, FY2008	(4.35)	—

(2) Consolidated Financial Position

	Total Assets	Total Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
As of February 28, 2010	35,076	11,806	33.7	268.15
As of May 31, 2009	32,780	12,464	38.0	282.40

Reference: Shareholders' Equity: As of February 28, 2010: 11,806 million yen
 As of May 31, 2009: 12,464 million yen

2. Dividend Information

	Dividend per Share (Yen)				
	1Q	First Half	3Q	Full Fiscal Year	Annual
FY2008	—	0.00	—	6.00	6.00
FY2009	—	0.00	—		
FY2009 (Forecast)				6.00	6.00

Note: Revisions to dividend forecasts during the period under review: None

3. Full Fiscal Year Consolidated Forecast (June 1, 2009 - May 31, 2010)

(In millions of yen, except where noted; Percentage figures show the year-on-year change.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Full Fiscal Year	35,000	5.3%	1,300	(6.9%)	1,200	(5.1%)	600	482.2%	13.59

Note: Revisions to consolidated forecast during the period under review: None

4. Other

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Application of the simplified method of accounting and accounting methods specific to the preparation of quarterly consolidated financial statements: Yes
Note: Please refer to Section “4. Other (2)” in Qualitative Information, Financial Statements, and Other on page 4 for details.
- (3) Changes in accounting principles, procedures, and methods of presentation relating to the preparation of quarterly consolidated financial statements (recorded under Changes in Important Items Considered Fundamental to the Preparation of Quarterly Consolidated Financial Statements)
(a) Changes in accordance with revisions to accounting standards and related practices: Yes
(b) Changes other than those in (a) above: None
Note: Please refer to Section “4. Other (3)” in Qualitative Information, Financial Statements, and Other on page 4 for details.
- (4) Number of shares issued and outstanding (ordinary shares)
- | | |
|--|-------------------|
| (a) Number of shares issued and outstanding at the end of the period (including treasury stock): | |
| As of February 28, 2010 | 46,575,000 shares |
| As of May 31, 2009 | 46,575,000 shares |
| (b) Number of shares of treasury stock issued and outstanding at the end of the period: | |
| As of February 28, 2010 | 2,543,599 shares |
| As of May 31, 2009 | 2,436,548 shares |
| (c) Average number of shares issued and outstanding for the period: | |
| First Three Quarters, FY2009 | 44,095,214 shares |
| First Three Quarters, FY2008 | 44,429,124 shares |

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. cautions readers that due to a variety of factors actual results may differ materially from forecasts. Furthermore, please refer to “3. Qualitative Information regarding Forecasts for Consolidated Business Results” in “Qualitative Information, Financial Statements, and Other” on page 4 for details relating to consolidated business results forecasts.

Qualitative Information, Financial Statements, and Other

1. Qualitative Information regarding Consolidated Operating Results

Throughout the first three quarters of fiscal 2009, the fiscal year ending May 31, 2010, an upswing in export activity and the positive effects of policies implemented by the Japanese government served to spur personal consumption. This in turn helped place the Japanese economy on a recovery trend. While the overall stimulus provided by capital investment remains weak, there are increasingly clear signs that the decline in domestic economic conditions has bottomed out.

Under these circumstances, the Toyo Denki Group is working in unison to realize the goals established under the “Challenge Up Plan,” the Group’s new medium-term management plan commenced in June 2009.

The Toyo Denki Group’s performance in the first three quarters of fiscal 2009, the first fiscal year of the new medium-term management plan, was as follows.

- (a) Orders received contracted 0.4% compared with the corresponding period of the previous fiscal year to 29,921 million yen. Despite an upswing in orders received for the period in the Transportation Systems and Information Systems segments, this overall result reflected the decrease in orders received in the Industrial Systems segment.
- (b) Net sales edged up 1.1% year on year to 23,624 million yen. Net sales for the period declined in the Industrial Systems segment. This was offset by improved net sales in the Transportation Systems and Information Systems segments.
- (c) From a profit perspective, the substantial drop in net sales in the Industrial Systems segment had a significant impact on the Group’s earnings performance. For the period under review, operating income totaled 108 million yen, a drop of 695 million yen compared with the corresponding period of the previous fiscal year. Ordinary income declined 603 million yen year on year to 116 million yen. For the nine-month period ended February 28, 2010, the Toyo Denki Group incurred a net loss of 211 million yen.

Results by business segment are provided as follows.

Transportation Systems Segment

Buoyed by large-scale orders for rail vehicle electrical equipment for the Beijing subway, orders received in the Transportation Systems segment increased 5.9% year on year to 21,268 million yen. Net sales in this segment climbed 10.3% compared with the corresponding period of the previous fiscal year to 15,185 million yen. This was attributable to firm overseas sales.

Industrial Systems Segment

Orders received in the Industrial Systems segment totaled 6,856 million yen. This year-on-year decline of 17.0% was mainly attributable to the slump in corporate-sector capital investment. For the same reasons as the drop in orders received, segment net sales contracted 25.8% year on year to 6,329 million yen.

Information Systems Segment

Reflecting steady contributions from IC card-compatible equipment relating particularly to railway station operations, orders received in the Information Systems segment increased 6.5% year on year to 1,797 million yen. Spurred by the delivery of the aforementioned equipment, segment net sales surged 99.0% compared with the corresponding period of the previous fiscal year to 2,108 million yen.

2. Qualitative Information regarding Consolidated Financial Position

Total assets as of February 28, 2010 stood at 35,076 million yen, an increase of 2,295 million yen compared with the end of the previous fiscal year. This was mainly attributable to an upswing in inventory of 1,654 million yen as well as other movements including an increase of 1,094 million yen in tangible fixed assets and an increase of 844 million yen in notes and accounts receivable–trade, and despite a decrease in cash and cash equivalents of 1,252 million yen.

Total liabilities amounted to 23,269 million yen, up 2,953 million yen compared with May 31, 2009. This reflected increases in short-term borrowings of 1,432 million yen and long term borrowings of 945 million yen, as well as other factors.

Net assets stood at 11,806 million yen, 657 million yen lower than the balance as of the previous fiscal year-end. Major movements were a 476 million yen decrease in retained earnings and a 93 million yen decrease in differences in evaluation of other marketable securities.

3. Qualitative Information regarding Forecasts for Consolidated Business Results

Looking at consolidated business results, net sales, operating income, ordinary income as well as the net loss for the first three quarters of fiscal 2009 are essentially in line with expectations.

A distinguishing feature of the Toyo Denki Group's business activities is the concentration of sales in the fourth quarter. Taking this factor into consideration, the Company has not undertaken to revise its full fiscal year forecasts of consolidated business results for fiscal 2009.

Notes:

1. Statements concerning financial results forecasts are based on data available as of the date of publication of this material and assumptions concerning the elements of uncertainty that will affect future business performance as of the date of publication of this material. Toyo Denki Seizo K.K. cautions readers that due to a variety of factors actual results may differ materially from forecasts.
2. Forward-looking statements contained in this material are the judgments of the Toyo Denki Group based on data available at the time of publication of this material. Such statements and descriptions are by no means comprehensive.

4. Other

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation):
None

- (2) Application of the simplified method of accounting and accounting methods specific to the preparation of quarterly consolidated financial statements:

Application of the simplified method of accounting

(The method for calculating corporate, local and enterprise taxes, deferred tax assets and deferred tax liabilities)

In computing the amount of corporate, local, and enterprise taxes payable, the Company undertook certain additions and subtractions in conjunction with tax deductions with regard to important items only.

In determining the collectability of deferred tax assets, the same forecasts of results as well as the tax planning method used in the previous fiscal year are applied in the event that no significant change in operating and other conditions as well as temporary differences are confirmed since the end of the previous fiscal year.

- (3) Changes in accounting principles, procedures, and methods of presentation relating to the preparation of quarterly consolidated financial statements

Changes in accordance with revisions to accounting standards and related practices

(Changes to the accounting standard for construction revenues and construction costs)

Previously, the Toyo Denki Group had adopted the completed-contract method for recording construction revenues and construction costs. However, from the first quarter of the fiscal year ending May 31, 2010, the Toyo Denki Group has adopted the Accounting Standard for Construction Contracts (Accounting Standards Board of Japan (ASBJ) Statement No. 15 of December 27, 2007) and the Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18 of December 27, 2007). As a result, for construction projects that commenced during the first three quarters of the period under review, those projects for which the outcome of the portion completed by February 28, 2010 can be reliably estimated are accounted for by the percentage-of-completion method (the rate of completion of the construction project estimated using the cost-comparison method), while other construction projects are accounted for by the completed-contract method.

Based on the aforementioned, net sales for the first three quarters of fiscal 2009 increased 1,275 million yen. For the period under review, operating income, ordinary income and net income before taxes each increased by 243 million yen.

5. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	End of the First Three Quarters FY2009 (As of February 28, 2010)	End of the Previous Fiscal Year FY2008 (As of May 31, 2009)
(Assets)		
Current assets		
Cash and cash equivalents	1,715	2,967
Notes and accounts receivable — trade	9,233	8,389
Products and finished goods	3,865	2,327
Work in process	3,445	3,583
Raw materials and stored goods	2,268	2,014
Other	1,066	974
Allowance for doubtful accounts	(52)	(51)
Total current assets	21,542	20,205
Fixed assets		
Tangible fixed assets		
Buildings and structures	5,954	4,609
Accumulated depreciation	(3,433)	(3,350)
Buildings and structures (net)	2,521	1,258
Machinery and equipment	5,769	5,589
Accumulated depreciation	(4,440)	(4,222)
Machinery and equipment (net)	1,328	1,367
Land	289	289
Construction work in progress	233	392
Other	2,270	2,153
Accumulated depreciation	(1,857)	(1,768)
Other (net)	413	384
Total tangible fixed assets	4,786	3,692
Intangible fixed assets		
Software	201	207
Other	62	36
Total intangible fixed assets	263	244
Investments and other fixed assets		
Investment securities	6,261	6,343
Other	2,283	2,355
Allowance for doubtful accounts	(60)	(60)
Total investments and other fixed assets	8,483	8,638
Total fixed assets	13,534	12,575
Total assets	35,076	32,780

	End of the First Three Quarters FY2009 (As of February 28, 2010)	End of the Previous Fiscal Year FY2008 (As of May 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	5,718	5,315
Short-term borrowings	5,594	4,161
Current portion of corporate bonds	200	200
Income taxes payable	47	239
Consumption and other taxes payable	23	159
Accrued expenses	3,169	2,752
Advances received	1,113	528
Deposits received	303	256
Reserve for employees' bonuses	401	837
Reserve for directors' bonuses	9	15
Reserve for order losses	356	327
Other	249	394
Total current liabilities	17,185	15,188
Long-term liabilities		
Corporate bonds	580	680
Long-term borrowings	2,265	1,320
Reserve for employees' retirement benefits	2,939	2,838
Reserve for directors' retirement benefits	152	141
Long-term payables	147	147
Total long-term liabilities	6,084	5,127
Total liabilities	23,269	20,316
(Net assets)		
Shareholders' equity		
Common stock	4,482	4,482
Capital surplus	2,661	2,661
Retained earnings	5,185	5,661
Treasury stock	(899)	(818)
Total shareholders' equity	11,430	11,987
Evaluation and foreign currency translation adjustments		
Differences in evaluation of other marketable securities	416	509
Deferred gains or losses on hedges	(40)	(32)
Total evaluation and foreign currency translation adjustments	376	476
Total net assets	11,806	12,464
Total net assets and liabilities	35,076	32,780

(2) Consolidated Statements of Income

(Millions of yen)

	First Three Quarters, FY2008 (June 1, 2008 to February 28, 2009)	First Three Quarters, FY2009 (June 1, 2009 to February 28, 2010)
Net Sales	23,356	23,624
Cost of sales	17,834	18,756
Gross profit	5,522	4,867
Selling, general and administrative expenses	4,717	4,758
Operating Income	804	108
Non-operating income		
Interest received	2	0
Dividends received	96	98
Subsidy income	—	33
Miscellaneous income	36	60
Total non-operating income	134	192
Non-operating expenses		
Interest expenses	99	90
Loss on disposal of fixed assets	11	13
Loss on foreign currency exchange	78	57
Miscellaneous expenses	28	22
Total non-operating expenses	219	184
Ordinary Income	720	116
Extraordinary income (loss)		
Loss of devaluation of investment securities	370	12
Surcharge payments	124	—
Total extraordinary expenses	494	12
Net income before taxes	225	103
Corporate, local and enterprise taxes	145	145
Corporate tax adjustments, etc.	272	169
Total taxes	418	314
Net income (loss)	(193)	(211)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	First Three Quarters, FY2008 (June 1, 2008 to February 28, 2009)	First Three Quarters, FY2009 (June 1, 2009 to February 28, 2010)
Cash flows from operating activities		
Net income before taxes	225	103
Depreciation expenses	694	665
Increase (decrease) in allowance for doubtful accounts	(2)	1
Increase (decrease) in reserve for employees' bonuses	(423)	(436)
Increase (decrease) in reserve for employees' retirement benefits	(64)	100
Increase (decrease) in reserve for directors' retirement benefits	(51)	10
Interest and dividend income	(98)	(98)
Interest expenses	99	90
(Gain) loss on devaluation of investment securities	370	12
Decrease (increase) in notes and accounts receivable — trade	3,070	(851)
Decrease (increase) in inventory	(2,556)	(1,654)
Increase (decrease) in notes and accounts payable — trade	(1,121)	413
Increase (decrease) in accrued liabilities at time of transfer to defined contribution pension plan	(342)	(284)
Increase (decrease) in reserve for order losses	59	29
Increase (decrease) in advances received	—	584
Other	(506)	(38)
Subtotal	(648)	(1,349)
Interest and dividend income received	98	98
Interest paid	(92)	(81)
Payments for corporate and other taxes	(347)	(332)
Net cash used in operating activities	(989)	(1,665)
Cash flows from investing activities		
Funds used for the purchase of tangible fixed assets	(807)	(1,606)
Funds used for the purchase of investment securities	(146)	(7)
Other	(125)	98
Net cash used in investing activities	(1,079)	(1,515)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,499	1,227
Repayments of long-term borrowings	—	1,450
Repayments of long-term borrowings	(255)	(290)
Redemption of bonds	(90)	(100)
Payment for the acquisition of treasury stock	(128)	(80)
Cash dividends paid	(269)	(267)
Net cash provided by financing activities	1,757	1,939
Effect of exchange rate changes on cash and cash equivalents	(14)	(10)
Increase (decrease) in cash and cash equivalents	(324)	(1,252)
Balance of cash and cash equivalents at the beginning of the period	2,230	2,967
Increase (decrease) in cash and cash equivalents due to changes in the scope of consolidation	76	—
Balance of cash and cash equivalents at the end of the period	1,982	1,715

- (4) Notes on Going Concern Assumptions
 First Three Quarters of Fiscal 2009 (June 1, 2009 to February 28, 2010)
 None

(5) Segment Information

(Segment information by business type)

First Three Quarters of Fiscal 2008 (June 1, 2008 to February 28, 2009)

The Toyo Denki Group is primarily engaged in the manufacture and sale of electrical equipment.

Segment information by business type has been omitted because the amounts of sales and operating income of one segment account for over 90 percent of the total sales and operating income of all segments. Furthermore, there are no other segments that fall under disclosure standard requirements.

First Three Quarters of Fiscal 2009 (June 1, 2009 to February 28, 2010)

The Toyo Denki Group is primarily engaged in the manufacture and sale of electrical equipment.

Segment information by business type has been omitted because the amounts of sales and operating income of one segment account for over 90 percent of the total sales and operating income of all segments. Furthermore, there are no other segments that fall under disclosure standard requirements.

(Segment information by geographic area)

First Three Quarters of Fiscal 2008 (June 1, 2008 to February 28, 2009)

Segment information by geographic area has been omitted because the amounts of sales and operating income in Japan account for over 90 percent of the total sales and operating income of all segments.

First Three Quarters of Fiscal 2009 (June 1, 2009 to February 28, 2010)

Segment information by geographic area has been omitted because the amounts of sales and operating income in Japan account for over 90 percent of the total sales and operating income of all segments.

(Overseas sales)

First Three Quarters of Fiscal 2008 (June 1, 2008 to February 28, 2009)

	Asia	Other	Total
1. Overseas sales (millions of yen)	2,728	607	3,336
2. Consolidated net sales (millions of yen)	—	—	23,356
3. The ratio of overseas sales to consolidated net sales (%)	11.7	2.6	14.3

- Notes: 1. Countries and regions are classified according to geographical proximity.
 2. The countries and regions outside of Japan included in each segment are as follows:
 (1) Asia: China and Korea
 (2) Other: Europe, North America and other areas
 3. Overseas sales are sales to customers outside of Japan by the Company and its consolidated subsidiaries.

First Three Quarters of Fiscal 2009 (June 1, 2009 to February 28, 2010)

	Asia	Other	Total
1. Overseas sales (millions of yen)	3,086	1,403	4,490
2. Consolidated net sales (millions of yen)	—	—	23,624
3. The ratio of overseas sales to consolidated net sales (%)	13.1	5.9	19.0

- Notes: 1. Countries and regions are classified according to geographical proximity.
 2. The countries and regions outside of Japan included in each segment are as follows:
 (1) Asia: China, Korea, Thailand and other countries and regions
 (2) Elsewhere: North America, Europe and other areas
 3. Overseas sales are sales to customers outside of Japan by the Company and its consolidated subsidiaries.

- (6) Notes on Significant Fluctuations in Shareholders' Equity
 First Three Quarters of Fiscal 2009 (June 1, 2009 to February 28, 2010)
 None

6. Status of Production, Orders, and Sales

(1) Production

Business segment	First Three Quarters, FY2008 (June 1, 2008 to February 28, 2009)		First Three Quarters, FY2009 (June 1, 2009 to February 28, 2010)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	14,308	59.7	15,179	69.1
Industrial Systems	8,536	35.6	4,819	22.0
Information Systems	1,125	4.7	1,962	8.9
Total	23,970	100.0	21,961	100.0

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

(2) Orders

(Millions of yen)

Business segment	First Three Quarters, FY2008 (June 1, 2008 to February 28, 2009)		First Three Quarters, FY2009 (June 1, 2009 to February 28, 2010)	
	Orders Received	Balance	Orders Received	Balance
Transportation Systems	20,091	22,986	21,268	27,969
Industrial Systems	8,262	5,599	6,856	4,035
Information Systems	1,688	1,107	1,797	536
Total	30,042	29,693	29,921	32,542

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

(3) Sales

Business segment	First Three Quarters, FY2008 (June 1, 2008 to February 28, 2009)		First Three Quarters, FY2009 (June 1, 2009 to February 28, 2010)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	13,761	58.9	15,185	64.3
Industrial Systems	8,535	36.6	6,329	26.8
Information Systems	1,059	4.5	2,108	8.9
Total	23,356	100.0	23,624	100.0

Notes: 1. Amounts are exclusive of consumption and other taxes.
2. The Toyo Denki Group's consolidated operating results are affected by seasonal factors. In connection with the Group's overall business segment composition, sales are generally concentrated in the fourth quarter.

Acknowledgement: This is a translation of the Japanese original of the Summary of Business Results for the First Three Quarters issued by Toyo Denki Seizo K.K. on April 13, 2010.