Growth in Revenues and Jump in Profits as We Endeavor to Further Expand Our Business

On behalf of the Toyo Denki Group, let me express my deepest condolences to all those who have suffered as a result of the Great East Japan Earthquake, and offer my sincere wishes for the swift reconstruction of areas affected by the disaster.

The following interview provides a review of the initiatives and results we achieved in the fiscal year ended May 31, 2011, and an outline of our latest developments and future business development as we endeavor to secure growth.

August 2011

Hiroshi Tsuchida
President

Q. How did the Great East Japan Earthquake impact the Group's business?

We were particularly concerned about direct damage to the Yokohama Plant, which is our main production facility. Luckily, all of our employees were safe and our production facilities received only minor physical damage. Our production operations were temporarily suspended for two days after the March 11 quake so that we could conduct safety checks, and we returned to normal operations by the third day. We also revised our production schedules to make up for the temporary suspension of operations.

After the quake hit, many manufacturing industries had to suspend their production activities due to supply chain issues. However, the Toyo Denki Group was able to sustain near-normal production levels, thanks to our having stockpiled a certain amount of components in advance.

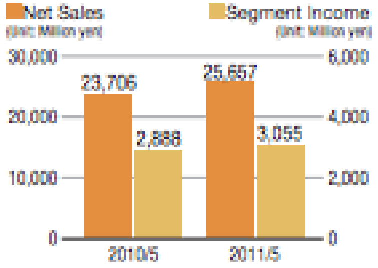
With the power shortages in Japan this summer, the Yokohama Plant is subject to power-use restrictions as a major power user. The restrictions mandate that the plant use 15% less power than last year. In response, we have set our own target to use 18% less power, and are implementing power-saving measures that will still enable us to maintain normal production levels. Specifically, we are targeting various processes by making energy use more transparent, such as through mechanisms such as power usage alarms, and shifting our production hours.

The Group has donated 10 million yen in disaster aid to the Central Community Chest of Japan, while our employees have also collected donations for the Japanese Red Cross Society.

Transportation Systems

67.7% (Percentage of total net sales)

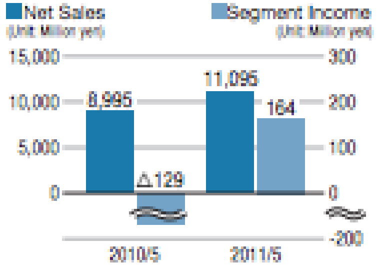
Net Sales: 25,657 million yen (Up 8.2% year on year)
Segment Income: 3,055 million yen (Up 5.8% year on year)



Industrial Systems

29.3% (Percentage of total net sales)

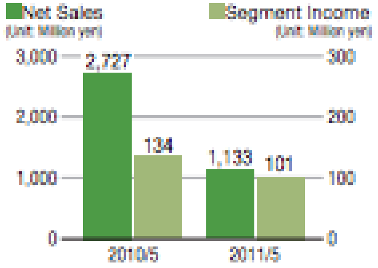
Net Sales: 11,095 million yen (Up 23.3% year on year)
Segment Income: 164 million yen (–)



Information Systems

3.0% (Percentage of total net sales)

Net Sales: 1,133 million yen (Down 58.4% year on year)
Segment Income: 101 million yen (Down 24.6% year on year)



Segment income for FY5/2010 is estimated based on past data.

Q. Please review sales performance during fiscal 2010.

In terms of business conditions, there was strong demand in Japan in the transportation systems segment, while overseas investment in rail infrastructure remained at high levels. However, confidence for capital investment in Japan has somewhat declined since the March 11 quake. In the industrial systems segment, the automotive industry in Japan showed signs of recovery, with automakers and related firms actively pursuing capital investment in overseas plants. In the information systems segment, there was strong demand for railway station solutions, while inquiries for remote monitoring systems increased due to rising demand for energy-saving solutions.

Under the circumstances, the Group increased its revenues and secured a sharp jump in profits in fiscal 2010. In the transportation systems segment, we increased net sales and profits due to growth in our overseas business, and in the industrial systems segment, we secured a recovery in net sales to post a profit in the segment and address an area of concern. However, we were unable to secure orders for some transportation systems projects due to order delays on Chinese subway projects, which had a significant impact on our results. Meanwhile, in the industrial systems segment, we recorded an increase in orders for capital investment projects in Japan, which were up 30% year-on-year. In the information systems segment, we saw a decrease in orders for smart card solutions, which resulted in lower revenues and profits in the segment.

In terms of profits, we recorded an increase in expenses as we expanded production for exports to China, but this was offset by higher revenues and operational improvements. The continuing appreciation of the Japanese yen weighed on profits, and we recorded an increase in exchange losses. In response, we are pursuing international channels for procurement of components, by expanding our search to include component manufacturers in China, Taiwan and South Korea. This initiative is starting to pay off with cost reductions.

On October 25, 2010, we established a strategic alliance involving business tie-ups and equity investment with Hitachi, Ltd., in the field of electrical components for rolling stock in overseas markets. In addition, on February 21, 2011, we established a strategic alliance of the same nature with Toyota Industries Corporation in the field of motors and inverters for industrial machinery. These alliances will build the foundation for the Group to increase its earnings.

Q. Please talk about the tie-ups with Hitachi and Toyota Industries, and follow-up on the alliances that were formed in recent years.

The strategic alliance with Toyota Industries involves the purchase of each other's shares. The two companies established ELETT CORPORATION on May 16, 2011 for the development, manufacturing and marketing of motors, inverters, and electric drive systems for industrial machinery, with Toyota Industries and Toyo Denki taking a 60% and 40% stake, respectively, in the joint venture.

The Group is focusing on developing the business for motors and inverters for industrial machinery, as a new area of business to anchor our future growth. Demand for environmental performance and energy-efficient solutions will drive a shift toward electric and hybrid drive systems in large forklifts and construction machinery. The Group will leverage its own technology to enter new markets and expand the overall scope of business. Toyo Denki and Toyota Industries were aware of each other's areas of strengths through having conducted technical exchanges in the last few years. By combining our respective technical strengths, we will raise the Group's market presence.

Under the alliance, we are supplying drive systems technology for high-pressure, large-capacity motors and inverters, and will oversee manufacturing. Toyota Industries is supplying its technology for high-efficiency, small- and medium-sized electric drive systems that they developed for electric forklifts, as well as bringing its mass production engineering expertise. ELETT CORPORATION will leverage these technologies to market electric drive systems solutions for a wide range of small- to large-scale industrial machinery.

Under the strategic alliance with Hitachi, we have been working to select areas for joint development since establishing the alliance in October 2010, and are finalizing a concrete business plan focused on power unit solutions. We are also planning to leverage each other's strengths by initiating joint business development to target demand for infrastructure development in India. We will look to secure new projects and consider establishing local production in India.

We also established a business tie-up with Fuji Electric Co., Ltd. on July 14, 2009, and are currently pursuing joint development of rail vehicle information systems targeting Japan and overseas markets such as China.

The tie-ups that we are pursuing through our alliances with other companies are all premised on the Group maintaining its autonomy. We will continue to further advance the tie-ups with our partners, to the extent that they help us to expand our business.

Q. What is the outlook for the current fiscal year ending May 31, 2012?

The transportation systems segment will be impacted by lower orders that we recorded in fiscal 2010. However, we expect to capture upgrade demand in the Japanese market, and also expect to record growth in the supply of components for electric rail vehicles in the Chinese market, which will sustain our net sales. We also expect to see continued vigorous investment in subway projects in China, and will closely track projects with a focus on projects for the urban cores of Chinese provinces. In the fall of 2011, we will upgrade our representative office in Beijing to make it a local subsidiary, and will fundamentally strengthen its marketing capabilities in order to secure orders and pursue sales activities in China. We have already launched an Indian Business Promotion Office within the Transportation Business Division in June 2011, in order to channel our efforts on the Indian market, which is expected to grow along with the Chinese market. The Indian Business Promotion Office will concentrate on gathering information and securing orders such as for subway projects in India.

We expect to further improve our business results in the industrial systems segment, driven by a recovery in capital investment in the Japanese market. We will focus on securing orders for testing machinery used in automotive development and increasing our orders for related business, seeing that the automotive industry is actively moving up its scheduled capital investment projects. We will also make a strong push for business development in East Asia, focusing on China.

For our consolidated business results in fiscal 2011, we are projecting net sales of 40.8 billion yen (up 7.7% year-on-year), operating income of 2.6 billion yen (up 72.9% year-on-year), ordinary income of 2.6 billion yen (up 64.8% year-on-year), and net income of 1.3 billion yen (up 91.7% year-on-year). Fiscal 2011 marks the final year of the Group's Challenge Up medium-term management plan for fiscal 2009–2011. Although we have slightly revised the initial numerical targets that we set under the plan, our employees remain committed to achieving the Group's long-term goal of generating 100 billion yen in net sales.

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

The disaster in Japan gave us the opportunity to reexamine our corporate mission. The Group has developed many products that are essential to the development of social infrastructure, including electrical equipment for rail vehicles, water and sewage systems, and emergency generators. We have a major social responsibility to secure the stable and timely supply of our products.

We recognize that the Group will be deeply involved with the reconstruction efforts in Japan through our business activities. All our executives and employees will continue to dedicate themselves to the Group's business activities as we endeavor to increase our net sales and profits, so as to further enhance our corporate value and meet the expectations of shareholders. To our shareholders, I would like to say that we count on your continued support and encouragement.

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 electrical product and equipment markets targeting environmentally friendly rail vehicles

(4) Develop new products
- Develop specific products that contribute to the creation and maintenance of a low-carbon society
- Develop services that utilize IT technologies

(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 — *Seiri* (Sort); *Seiton* (Set in order); *Seiso* (Shine); *Seiketsu* (Standardize); *Shitsuke* (Sustain / Self-discipline) — 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: 40.8 billion yen
(2) Operating income (margin): 2.6 billion yen (6.4%)
(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: 1,200

● Consolidated Numerical Targets through the Final Fiscal Year of the Plan (Unit: Million yen)

	FY Ended May 2010 (Actual)	FY Ending May 2011 (Actual)	FY Ending May 2012 (Target)
Net sales	35,429	37,893	40,800
Operating income (margin)	975 (2.8%)	1,503 (4.0%)	2,600 (6.4%)
Ordinary income	982	1,577	2,600
Net income	512	678	1,300

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 integrating highly sophisticated information-oriented machines and electronics.

● Net sales target: 100 billion yen

Emerging Growth Markets Driven by Eco and Energy-Efficiency Trends

Facilitating the shift to hybrid and electric drive systems for industrial machinery

In July 2008, the Toyo Denki Group released the Challenge Up medium-term management plan, which outlines a basic strategy to generate new areas of business by entering the market for electrical products and equipment for eco-friendly rail vehicles. Under this strategic direction, the Group is pursuing business development that encompasses strategic alliances with other companies. In this feature section, we give an overview of the industrial machinery segment, which includes eco-friendly rail vehicles and in particular large forklifts and construction machinery. We also outline the Group's business initiatives in the industrial machinery segment.

Background

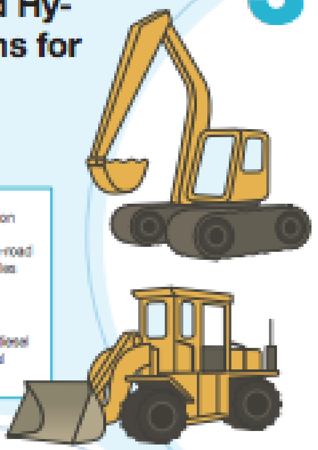
Factors Driving a Shift Toward Hybrid and Electric Drive Systems for Industrial Machinery

1 Increasing Eco Emphasis —Stricter Exhaust Gas Emissions Rules

Stricture exhaust gas emissions rules for construction machinery, which generate high NOx and PM emissions

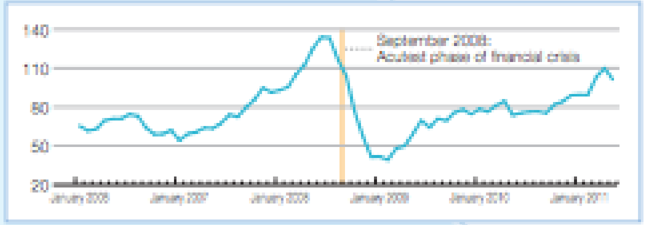
Stronger emissions rules are being introduced today for nitrogen oxides (NOx) and particulate matter (PM) emitted by construction machinery and other specialized off-road vehicles that do not travel on public roads. This is expected to drive a shift toward hybrid and electric drive systems for construction machinery.

April 2006	Enforcement of Act on Regulation, Etc. of Emissions from Non-road Special Motor Vehicles
March 2010	Stricter exhaust gas emissions rules for diesel fuel non-road special motor vehicles



2 Greater Demand for Energy Efficiency in Response to Rising Crude Oil Prices

Crude Oil (WTI) Prices Since 2006 Unit: US dollars per barrel



Hybrid and electric drive systems enhance the energy efficiency of industrial machinery, improving the cost advantages over oil-driven machinery

Crude oil prices have climbed since September 2008, when the financial crisis reached its most acute phase. There is a concern that increased demand for crude oil—driven by growth in newly emerging countries such as the BRIC (Brazil, Russia, India and China) countries—will further push crude oil prices upward. This will lead to increasing demand for better energy efficiency from industrial machinery.

3 Developments in Low-Emission Construction Machinery

Introduction of certification for low-emission construction machinery by Ministry of Land, Infrastructure, Transport and Tourism

In April 2010, the Japanese Ministry of Land, Infrastructure, Transport and Tourism introduced a certification system for low-emission construction machinery, to encourage the adoption of construction machinery with lower carbon dioxide (CO_2) emissions.

Japan Finance Corporation loans for certified low-emission construction machinery

Purchases of certified low-emission construction machinery qualify for loans under a program operated by the Japan Finance Corporation.

Alliances

Business Development under Alliance with Toyota Industries Corporation

February 21, 2011 **Establishment of business tie-ups and equity investment in the field of motors and inverters for industrial machinery**

The Toyo Denki Group and Toyota Industries will leverage their respective strengths to develop motors, inverters and electric drive systems for small- to large-scale industrial machinery. The alliance will facilitate the shift to electric drive systems for industrial machinery.

TOYODENKI

Toyo Denki Seizo K.K.

Strengths

High voltage and large-capacity motors, inverters and control technology developed for the rail sector

Business tie-ups, equity investment

TOYOTA

Toyota Industries Corporation

Strengths

High-efficiency, small- and medium-scale electric drive systems developed for electric forklifts; production engineering expertise

40% stake

60% stake

May 16, 2011

Established ELETT CORPORATION, a joint venture to develop, manufacture and market motors, inverters and electric drive systems for industrial machinery.

(Capital: 225 million yen; Headquarters: Marunouchi Bldg. 29th Floor, 2-4-1 Marunouchi, Chiyoda-ku, Tokyo)

Future Business Development

Supplying eco-friendly and energy-efficient solutions for industrial machinery

In addition to solutions for large forklifts and construction machinery, ELETT will also offer electric drive systems for large conveyance machinery and agricultural machinery.

Topics


Yokohama Plant

The Toyo Denki Group would like to express its deepest sympathy to all those who have suffered as a result of the Great East Japan Earthquake. The Group also offers its sincere wish for a complete and swift recovery.

Impact of Great East Japan Earthquake on Toyo Denki Group

The following report summarizes the impact of the March 11 quake and subsequent rolling blackouts on the activities of Group offices. The entire Group is dedicated to helping our customers restore and maintain their equipment and facilities, as a manufacturer of solutions associated with social infrastructure.

1 Initial Impact of Quake

Toyo Denki and Group business locations in Japan did not incur any serious damage, with no significant impact on operations. No employees were hurt.

2 Impact of Rolling Blackouts (March 14 to April 8, 2011) by TEPCO

A. Toyo Denki Head Office (Chuo-ku, Tokyo) and Yokohama Plant (Kanazawa-ku, Yokohama City, Kanagawa Prefecture)
Operating hours were not affected by the rolling blackouts. Normal operating levels were maintained during the blackouts by implementing energy-saving measures.

B. Hiratsuka Plant of Toyokouki Co., Ltd. (Hiratsuka City, Kanagawa Prefecture)
Operating hours were partially affected by the rolling blackouts, with a minimal impact on business results.

C. Shiga Factory (Moriyama City, Shiga Prefecture), branch offices and sales offices
Sustained normal operations through coordination with the Head Office and Yokohama Plant.

Power-Use Restrictions and Energy-Saving Measures

The Yokohama Plant of Toyo Denki and Hiratsuka Plant of Toyokouki are major power users with power contracts exceeding 500 kilowatts. Both plants were subject to power-use restrictions introduced on July 1, 2011, which mandate a 15% reduction from last year's contract power levels.

The Group set its own target to achieve an 18% reduction in power usage, and is implementing extensive power-saving initiatives throughout its workplaces while keeping normal operating shifts.

Relief Aid for Victims of Great East Japan Earthquake

On March 31, the Toyo Denki Group contributed ten million yen to the Central Community Chest of Japan as part of its efforts to take part in relief programs for victims of the disaster that struck on March 11 and the reconstruction of the affected areas.

Launch of Indian Business Promotion Office

Toyo Denki launched the Indian Business Promotion Office within the Transportation Business Division, in order to focus on transportation system solutions for the growing Indian market.

Release of *CSR Report 2011*

In July 2011, Toyo Denki released its latest report on its efforts to fulfill its corporate social responsibility.

URL
http://www.toyodenki.co.jp/en/html/csr_report.html

CSR Report 2011