



“Working to further increase corporate value, we will secure growth by pursuing overseas expansion and new business development.”

Having entered fiscal 2011, the final year of the Company's three-year Challenge Up medium-term management plan, Hiroshi Tsuchida, President of Toyo Denki Seizo K.K., outlines the Company's progress during the first half and developments going forward.

Hiroshi Tsuchida
President

Please tell us about business conditions and results through the end of the first half.

During the first half of fiscal 2011, the fiscal year ending May 31, 2012, there were concerns regarding production activity in Japan. This was largely attributable to the impact of the earthquake disaster on the supply chain. In the Company's Industrial Systems business, however, efforts by mainstay customers in the automobile industry to reestablish full-fledged operations proceeded at a pace greater than anticipated. As a result, we witnessed considerable forward momentum at the beginning of the period. In contrast, the unprecedented persistent strength of the yen and the financial instability in Europe prompted extensions in the delivery of initially budgeted products from August 2011. This downturn was in part offset by growing demand for factory automation system products and emergency power generators. In the Transportation Systems business, orders and sales declined following completion of a round of large-scale projects.

With regard to projects outside of Japan, Transportation Systems business activities faced a disadvantage with respect to Chinese

subway projects compared with competing European manufacturers due to the strong yen. This impacted Toyo Denki's efforts to secure orders as well as sales owing to postponements in product deliveries and installation. On a positive note, subway projects remain robust in most major cities throughout China. The Company will accordingly ramp up its efforts to secure orders. Turning to the Industrial Systems business, initiatives aimed at developing new opportunities in China and Southeast Asia are gradually contributing to sales.

Against this backdrop, Toyo Denki placed considerable emphasis on measures aimed at reducing costs. In addition to centralizing purchases throughout the Group, steps were also taken to cut back inventory and to introduce Value Engineering (VE) methods at the production frontline. As a result, the Company was successful in securing a certain level of profit improvement. At the same time, Toyo Denki shifted increasingly toward the procurement of components overseas as a means to offset the ongoing impact of the strong yen. The Company is therefore stepping up its approaches to overseas component manufacturers through its subsidiary in China. As a hedge against the strong yen, we are yet to secure the full benefits of this shift

toward overseas procurement. This is largely attributable to our focus on component quality. Moving forward, we anticipate garnering additional cost reduction benefits in the second half and beyond.

Toyo Denki has continued to witness steady progress in its all-out efforts to launch new electric drive systems for industrial machinery which began in the current fiscal year. The Company is also earnestly making all necessary arrangements toward the mass production of motors and inverters for construction machinery, a mainstay activity, as well as the delivery of motors and inverters for large-scale forklifts in collaboration with Toyota Industries Corporation starting in 2012.

What issues do you believe the Company will confront as it strives for future growth? What measure do you plan to implement?

The vast majority of automobile manufacturers in Japan are boosting their overseas production capabilities. Given current circumstances, Toyo Denki is facing increasing pressure to bolster its ability to respond not only to the requirements of domestic production bases but also those overseas as it works to expand sales of such mainstay products as testing equipment for automotive development in its Industrial Systems business. At present, we are enhancing our customer support as a part of our overseas engineering and sales capabilities. Just like in Japan, we are putting forward proposals and specifications that match client needs in discussion with customers, attending to delivery and installation, and providing after-sales services.

Moving forward with efforts to expand and strengthen the Transportation Systems business in China, Toyo Denki received approval to establish a local company on November 7, 2011. On this basis, the Company's Beijing Representative Office will be converted and renamed Toyo Denki (Beijing) Co., Ltd. While continuing to collect sales information and to attend to tender-related activities, the new company will expand its operations from February 2012 into sales of electrical equipment for rail vehicles as well as related import, export, and after-sales service activities. The company will also assume overall control of the administrative and finance functions of the Group's existing four subsidiaries in China. Following integration with the local subsidiary of our Industrial Systems business, Toyo Denki (Beijing) Co.,

Ltd. will serve as the hub of our development activities in China.

In pursuing the Company's growth strategy in its Transportation Systems business, Toyo Denki is focusing on global development. In this context, we are considering steps to build on our existing local network of bases in China and the U.S. by expanding into India and East Asia. In addition to our independent expansion efforts in collaboration with trading companies, we plan to pursue joint efforts together with current partners such as Fuji Electric Co., Ltd. and Hitachi, Ltd. while at the same time evaluating the potential for forming new alliances in the future. Our goal is to lift the fiscal 2011 overseas sales ratio target of 30% to 50% in the near future.

What is the status of technology development going forward?

In adopting a long-term vision with respect to business expansion, Toyo Denki continues to channel its management resources in capital investment, overseas business growth, and research and development. The Company has increased its investment in R&D activities in recent years. Plans are in place to allocate 920 million yen for R&D activities in the current fiscal year.

While Toyo Denki actively pursues a wide spectrum of R&D themes, the Company is currently focusing its attention on the development of motors free of rare earth elements; drive gear units for next-generation rail cars that deliver reduced noise, easy maintenance, improved energy efficiency, and increased speed; information control systems for next-generation rolling stock; and innovative motors that address the demand for higher speed testing equipment for automotive development. Cognizant of the need to consistently position our ability to deliver innovative technologies as a defining feature and strength, we are not only increasing our R&D expenditure but also placing considerable weight on securing and developing human resources. Through these means, we are working to further increase our competitive advantage.

What is the outlook in this final year of the Group's Challenge Up Plan?

In the final year of our three-year Challenge Up medium-term management plan, we projected net sales of 40.8 billion yen, operating income of 2.6 billion yen (operating income margin 6.4%), a ratio of overseas sales to total net sales of 30%, and a return on equity (ROE) of 10%. Buffeted, however, by the unprecedented strength of the yen, our results for both net sales and operating income for the first half of fiscal 2011, regrettably, have fallen below plans. On this basis, we have revised downward our forecasts for the full fiscal year. Net sales are now anticipated to come in at 40.0 billion yen (up 5.6% year on year), operating income at 1.8 billion yen (up 19.7% year on year, ordinary income at 1.8 billion yen (up 14.1% year on year), and net income at 750 million yen (up 10.6% year on year).

Looking to the second half of fiscal 2011, we anticipate posting sales relating to postponed projects. At the same time, we hold high expectations of a concentration of large-scale projects in each of our Industrial Systems and Information Systems businesses in March and April. With this in mind, we are confident of achieving our revised



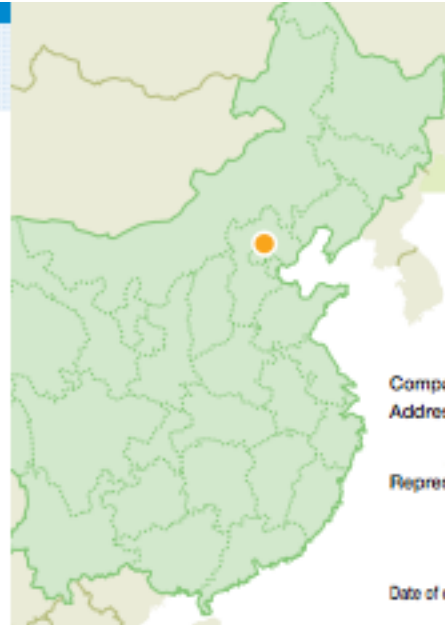
plans. Moving forward, we will also continue to pursue improvements in profits through cost reduction measures.

Toyo Denki will carry forward efforts to "further increase Group corporate value," a major theme of the Challenge Up plan, into its new medium-term management plan scheduled to commence in the next fiscal year. Working toward this end, we will secure renewed growth by ascertaining conditions and trends in the domestic market, further strengthening overseas business development, and promoting new businesses. We are currently putting in place specific business strategies and formulating a policy for the first year of the plan. We intend to clarify these core elements around June 2012.

Do you have any final thoughts you would like to share with our shareholders?

In recent years, we have witnessed significant global economic turmoil as well as natural disasters of unprecedented proportions. This has in turn led to a sense of uncertainty surrounding the overall economy. Looking ahead, however, I am confident that the Japanese economy will experience steady growth. I also anticipate that demand for infrastructure will continue to gain impetus in developing countries and particularly throughout East Asia. Under these circumstances, Toyo Denki will take up the challenge of building a recycling-based society and strive to continue enhancing its corporate value by delivering products and services that fulfill the needs of society. We will also focus on environmental conservation as we practice increasingly innovative manufacturing, and expand our overseas business development activities while developing new businesses to increase our earning capacity.

As we work toward achieving our overarching goals, we kindly ask for the continued support and understanding of all shareholders.



Toyo Denki (Beijing) Co., Ltd. Established

Toyo Denki has established a subsidiary in Beijing City to expand and strengthen the Group's Transportation Systems and Industrial Systems businesses in China where significant growth is expected.

Company name:	Toyo Denki (Beijing) Co., Ltd.	Fiscal year-end date:	December 31
Address:	2605, JiaruiWa SOHO B 39, Dong San Huan Zhong Road, Chaoyang District, Beijing	Registered capital:	US\$1.6 million
Representative:	Masami Tsuchiya, Chief Operating Officer (Currently Senior Executive Officer, Toyo Denki Seiko K.K.; concurrent positions held)	Business activities:	Sale of electrical equipment for rail vehicles as well as electric components for general industrial machinery; import and export operations related to each of the aforementioned; after-sales services related to each of the aforementioned
Date of establishment:	November 7, 2011	Percentage of shares held:	Toyo Denki 100%

Field Lectures on the Environment and Career Development to Contribute to Local Communities

Toyo Denki conducts field lectures with the aim of nurturing and supporting today's students, who will be responsible for the next generation. Company employees visit schools to speak on a number of topics including "Building Eco-friendly Railway Systems" to provide insight into railway-related environmental technologies and "Working for a Manufacturer" to help in career education and development.



Plant Tour for Local Elementary School Students and Their Parents

Toyo Denki opened its principal production facility, Yokohama Plant, for a tour in August 2011, as a part of an environmental education event organized by the Kanazawa Ward Office of Yokohama City. In addition to a host of questions from participants after the tour, the Company received warm messages of thanks for the opportunity to view up-close the manufacturing of components for use in rail vehicles.