

April 3, 2015

Summary of Consolidated Business Results for the First Three Quarters of Fiscal 2014

For the fiscal year ending May 31, 2015

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Scheduled date of submission of quarterly financial report: April 7, 2015
 Scheduled date of commencement of dividend payments: —
 Preparation of quarterly financial report supplemental explanatory materials: Yes
 Holding of quarterly financial results briefing: Yes (for institutional investors and analysts)

Note: Amounts less than one million yen in financial statements and the supplementary data are rounded down.

1. Consolidated Business Results for the First Three Quarters of Fiscal 2014

(June 1, 2014 to February 28, 2015)

(1) Consolidated Operating Results

(In millions of yen, except where noted; percentage figures show year-on-year increase or decrease.)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Amount	YoY Change (%)	Amount	YoY Change (%)	Amount	YoY Change (%)	Amount	YoY Change (%)
First Three Quarters, Fiscal 2014	28,856	17.7%	913	164.2	1,253	259.5	727	175.4
First Three Quarters, Fiscal 2013	24,511	19.3%	345	—	348	—	264	—

(Note) Comprehensive income: 3Q FY2014: 4,572 million yen [442.4%]
 3Q FY2013: 842 million yen [(51.8)%]

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
First Three Quarters, Fiscal 2014	15.08	—
First Three Quarters, Fiscal 2013	5.48	—

(2) Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)
As of February 28, 2015	52,053	24,000	46.1
As of May 31, 2014	44,752	19,350	43.2

(Reference) Shareholders' equity: As of February 28, 2015: 24,000 million yen
 As of May 31, 2014: 19,350 million yen

2. Dividend Information

	Annual Dividend (Yen)				
	1Q	Interim	3Q	Fiscal Year-End	Total
Fiscal 2013	—	0.00	—	6.00	6.00
Fiscal 2014	—	0.00	—	—	—
Fiscal 2014 (Forecast)	—	—	—	6.00	6.00

(Note) Revisions to the most recently announced dividend forecasts: No

3. Consolidated Performance Forecast for Fiscal 2014 (June 1, 2014 to May 31, 2015)

(In millions of yen, except where noted; percentage figures show year-on-year increase or decrease.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Full year	40,000	14.4%	1,800	67.3%	2,100	102.7%	1,200	86.2%	24.89

(Note) Revisions to the most recently announced performance forecast: No

Notes:

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): No
- (2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (a) Changes in accounting policies in accordance with revisions to accounting standards and related practices: Yes
 - (b) Any changes other than (a) above: No
 - (c) Changes in accounting estimates: No
 - (d) Restatement: No
- (4) Shares outstanding (common stock)
 - (a) Number of shares outstanding as of the end of the period (including treasury stock):
February 28, 2015: 48,675,000 shares May 31, 2014: 48,675,000 shares
 - (b) Number of shares of treasury stock as of the end of the period:
February 28, 2015: 481,694 shares May 31, 2014: 474,527 shares
 - (c) Average number of shares for the period (fiscal year-to-date):
First Three Quarters, FY2014: 48,196,049 shares First Three Quarters, FY2013: 48,206,926 shares

Statements Regarding the Implementation Status of Quarterly Review Procedure

This quarterly financial report is not subject to quarterly review procedures as prescribed under the Financial Instruments and Exchange Act. As of the date of quarterly financial report disclosure, quarterly financial report review procedures pursuant to the aforementioned Act have not been completed.

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. (hereinafter Toyo Denki) cautions readers that due to a variety of factors actual results may differ materially from forecasts. Please refer to "Explanation of Consolidated Performance Forecast and Other Forward-looking Information" in Accompanying Materials on page 3 for details relating to operating results forecasts.

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1. Qualitative Information regarding Quarterly Financial Results

(1) Explanation of Business Results

During the first three quarters (June 1, 2014 to February 28, 2015) of fiscal 2014, the fiscal year ending May 31, 2015, the economy in Japan saw the remaining effects of the increase in the consumption tax rate on personal consumption, and subdued conditions persisted for capital expenditures. However, a recovery trend continued and signs of a recovery in demand were seen due to improvement in the corporate and personal income environment, backed by the economic policies and monetary easing policy of the current administration. Meanwhile, with regard to overseas, although economic trends in Europe were weak, the recovery trend of the economy in the United States continued, and China secured growth amid a decelerating growth rate, leading to a high level of investment in infrastructure. These overseas conditions are expected to continue for the foreseeable future.

Under these circumstances, the Toyo Denki Group has been working in unison to thoroughly strengthen its management foundation and drastically improve its corporate value according to “Next 100 : Beyond 100 years,” the medium-term management plan launched during fiscal 2014.

The Toyo Denki Group’s performance in the first three quarters of fiscal 2014, the first fiscal year of the plan, was as follows.

Orders received decreased 1.5% compared with the corresponding period of the previous fiscal year to 29,263 million yen. This overall result reflected a decrease in orders received in the Transportation Systems segment and the Information Equipment Systems segment, despite a surge in orders in the Industrial Systems segment.

Net sales increased 17.7% year on year to 28,856 million yen. Despite a decrease in the Information Equipment Systems segment, this result reflected a significant surge in the Transportation Systems segment outside Japan as well as a slight increase in the Industrial Systems segment.

From a profit perspective, operating income increased 164.2% compared with the corresponding period of the previous fiscal year to 913 million yen, mainly due to higher revenues in the Transportation Systems segment and the effects of improved profitability in the Industrial Systems segment. Ordinary income grew by 259.5% to 1,253 million yen as a result of recording foreign exchange gains from a progressively weaker yen, and net income increased by 175.4% to 727 million yen.

Looking at the overall nature and structure of the Group’s business activities, sales are generally concentrated in the fourth quarter of each fiscal year. As a result, quarterly consolidated operating results are impacted by seasonal factors.

Information by business segment is presented as follows.

Transportation Systems

Orders received were down both in Japan and outside Japan, leading to a decrease of 3.2% compared with the corresponding period of the previous fiscal year to 19,269 million yen.

Net sales in this segment showed a significant upturn outside Japan, totaling 19,878 million yen, a 29.4% increase from the corresponding period of the previous year.

Segment profit increased by 38.9% compared with the corresponding period of the previous fiscal year to 2,107 million yen, which was attributable to contributions from increased revenue outside Japan.

Industrial Systems

While orders received for capital expenditure such as printing equipment and processing equipment were down slightly, orders related to infrastructure increased, causing a 9.9% increase compared with the corresponding period of the previous fiscal year to 9,162 million yen.

Net sales increased 1.1% year on year to 8,096 million yen primarily as sales of testing equipment for automotive development increased, despite a decrease in sales related to processing equipment.

Segment profit totaled 511 million yen, an increase of 70.2% compared with the corresponding period of the previous fiscal year due to effect of improved profitability.

Information Equipment Systems

Orders received in this segment decreased 43.5% to 826 million yen, primarily due to declines in orders for railway station operating equipment and remote monitoring systems.

Net sales in this segment decreased 23.2% year on year to 876 million yen, owing to the same reasons as above.

Segment profit was 79 million yen, a decrease of 23.7% compared with the corresponding period of the previous fiscal year.

Note: Net sales data by business segment represents sales to third parties and is exclusive of inter-segment sales and transfers.

(2) Explanation of Financial Position

Total assets as of February 28, 2015 stood at 52,053 million yen, an increase of 7,301 million yen compared with the end of the previous fiscal year. Despite a 905 million yen decrease in cash and cash equivalents, the increase in total assets was largely attributable to increases in trade notes and accounts receivable of 2,405 million yen, and investment securities of 5,656 million yen, which was the result of an increase in the market price of held listed securities.

Total liabilities amounted to 28,053 million yen, an increase of 2,650 million yen compared with the previous fiscal year end. Despite a 672 million yen decrease in net defined benefit liability, a 427 million yen decrease in reserve for employees' bonuses, and a 391 million yen decrease in accrued expenses, the increase in total liabilities was largely attributable to increases in deferred tax liabilities (included in other of long-term liabilities) of 2,258 million yen, borrowings of 1,015 million yen, and electronically recorded obligations – operating of 555 million yen.

Net assets stood at 24,000 million yen, 4,650 million yen higher than the balance as of the previous fiscal year end. Major movements were a 3,656 million yen increase in unrealized holding gain on available-for-sale securities and an 808 million yen increase in retained earnings.

(3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

We have made no revision to the “Consolidated Performance Forecast for Fiscal 2014” announced on January 14, 2015.

2. Items regarding Summary Information (Notes)

(1) Transfer of Major Subsidiaries during the Period
Not applicable

(2) Application of Special Accounting Practices for the Preparation of Quarterly Consolidated Financial Statements
Not applicable

(3) Changes in Accounting Principles, Changes in Accounting Estimates, and Retrospective Restatements

Changes in Accounting Policies

(Application of Accounting Standard for Retirement Benefits)

Provisions stated in Section 35 of the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012; hereinafter referred to as the “Retirement Benefits Accounting Standard”) and Section 67 of the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012; hereinafter referred to as the “Guidance on Retirement Benefits”) have been applied from the first quarter of fiscal 2014. Along with this application, calculation methods for retirement benefit obligations and service cost have been revised. Furthermore, the method for determining the portion of projected benefit obligation attributed to periods was changed from the straight-line method to the benefit formula basis. In addition, the method of determining the discount rates applied in the calculation of projected benefit obligation was changed from the method using the number of years approximate to the average remaining service period of employees to the method using the single weighted average discount rate that reflects the estimated period and amount of benefit payment in each period.

In accordance with the transitional treatment prescribed in Section 37 of the Retirement Benefits Accounting Standard, the Company applied the Accounting Standard for Retirement Benefits at the beginning of the first three quarters of fiscal 2014, and the effect of the accounting change in retirement benefit obligations and service cost was reflected in retained earnings.

As a result, net defined benefit liability decreased by 576 million yen, and retained earnings increased by 370 million yen at the beginning of the first three quarters of fiscal 2014. The impact on operating income, ordinary income and income before income taxes and minority interests recorded for the first three quarters of fiscal 2014 is immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2014	End of the First Three Quarters of Fiscal 2014 (February 28, 2015)
Assets		
Current assets		
Cash and cash equivalents	2,997	2,091
Trade notes and accounts receivable	12,805	15,211
Products and finished goods	1,483	1,432
Work in process	3,459	3,515
Raw materials and stored goods	2,158	2,180
Other	684	927
Allowance for doubtful accounts	(34)	(41)
Total current assets	23,555	25,317
Fixed assets		
Property, plant and equipment		
Buildings and structures	7,075	7,123
Accumulated depreciation	(4,228)	(4,398)
Buildings and structures, net	2,847	2,725
Machinery and equipment	6,679	6,767
Accumulated depreciation	(5,770)	(5,894)
Machinery and equipment, net	908	873
Land	289	289
Construction in progress	63	125
Other	3,171	3,244
Accumulated depreciation	(2,624)	(2,740)
Other, net	547	504
Total property, plant and equipment	4,656	4,518
Intangible assets		
Software	230	208
Other	37	73
Total intangible assets	268	281
Investments and other assets		
Investment securities	14,262	19,919
Other	2,022	2,029
Allowance for doubtful accounts	(12)	(12)
Total investments and other assets	16,273	21,935
Total fixed assets	21,197	26,736
Total assets	44,752	52,053

(Millions of yen)

	As of May 31, 2014	End of the First Three Quarters of Fiscal 2014 (February 28, 2015)
Liabilities		
Current liabilities		
Trade notes and accounts payable	5,285	5,301
Electronically recorded obligations - operating	—	555
Short-term debt	1,987	2,059
Income taxes payable	374	329
Consumption and other taxes payable	180	112
Accrued expenses	3,792	3,400
Advances received	292	457
Deposits received	228	229
Reserve for directors' bonuses	28	21
Reserve for employees' bonuses	915	487
Reserve for order losses	129	395
Other	281	310
Total current liabilities	13,496	13,660
Long-term liabilities		
Long-term debt	6,934	7,878
Long-term payables	145	143
Allowance for environmental development	43	43
Net defined benefit liability	4,044	3,372
Other	737	2,955
Total long-term liabilities	11,906	14,392
Total liabilities	25,402	28,053
Net assets		
Shareholders' equity		
Capital stock	4,998	4,998
Capital surplus	3,177	3,177
Retained earnings	7,510	8,319
Treasury stock	(167)	(170)
Total shareholders' equity	15,519	16,324
Accumulated other comprehensive income		
Unrealized holding gain on available-for-sale securities	3,989	7,645
Deferred gains or losses on hedges	(26)	—
Foreign currency translation adjustments	165	202
Remeasurements of defined benefit plans	(298)	(172)
Total accumulated other comprehensive income	3,830	7,675
Total net assets	19,350	24,000
Total liabilities and net assets	44,752	52,053

(2) Quarterly Consolidated Statements of Income and Comprehensive Income
(Quarterly Consolidated Statements of Income for the First Three Quarters of Fiscal 2014)

(Millions of yen)

	First Three Quarters, FY2013 (June 1, 2013 to February 28, 2014)	First Three Quarters, FY2014 (June 1, 2014 to February 28, 2015)
Net sales	24,511	28,856
Cost of sales	19,018	22,243
Gross profit	5,492	6,612
Selling, general and administrative expenses	5,147	5,699
Operating income	345	913
Non-operating income		
Interest income	0	3
Dividend income	167	202
Life insurance dividend income	3	6
Foreign exchange gains	17	258
Miscellaneous income	15	24
Total non-operating income	204	494
Non-operating expenses		
Interest expense	132	104
Equity in loss of unconsolidated subsidiaries and affiliates	57	9
Loss on disposal of fixed assets	5	1
Miscellaneous loss	4	38
Total non-operating expenses	201	154
Ordinary income	348	1,253
Extraordinary income		
Gain on sales of fixed assets	—	12
Total extraordinary income	—	12
Income before income taxes and minority interests	348	1,266
Income taxes:		
Current	233	550
Deferred	(148)	(10)
Total income taxes	84	539
Income before minority interests	264	727
Net income	264	727

(Quarterly Consolidated Statements of Comprehensive Income for the First Three Quarters of Fiscal 2014)
(Millions of yen)

	First Three Quarters, FY2013 (June 1, 2013 to February 28, 2014)	First Three Quarters, FY2014 (June 1, 2014 to February 28, 2015)
Income before minority interests	264	727
Other comprehensive income		
Unrealized holding gain (loss) on available-for-sale securities	459	3,656
Deferred gains or losses on hedges	—	26
Foreign currency translation adjustments	18	16
Remeasurements of defined benefit plans	—	126
Share of other comprehensive income of affiliates to which the equity method is applied	100	19
Total other comprehensive income	578	3,845
Comprehensive income	842	4,572
Comprehensive income attributable to:		
Owners of the parent	842	4,572
Minority interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements
 (Notes on Going Concern Assumptions)
 Not applicable.

(Notes on Significant Fluctuations in Shareholders' Equity)
 Not applicable.

(Segment Information)

(a) The First Three Quarters of Fiscal 2013 (June 1, 2013 to February 28, 2014)
 Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statement of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	15,355	8,010	1,141	4	24,511	—	24,511
Inter-segment sales and transfers	26	1	—	366	394	(394)	—
Total	15,382	8,011	1,141	371	24,906	(394)	24,511
Segment profit	1,517	300	103	29	1,951	(1,605)	345

Notes:

1. The "Other" segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit adjustment amount is a loss of 1,605 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 2 million yen and corporate expenditure (a loss of 1,608 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses as well as research and development costs that are not allocated to each reporting segment.
3. Segment profit has been adjusted with operating income recorded under the quarterly consolidated statement of income.

(b) The First Three Quarters of Fiscal 2014 (June 1, 2014 to February 28, 2015)
Information regarding Net Sales and Income (Loss) by Reporting Segment

(Millions of yen)

	Reporting Segment			Other ¹	Total	Adjustment Amount ²	Amount Recorded on Quarterly Consolidated Statement of Income ³
	Transportation Systems	Industrial Systems	Information Equipment Systems				
Net sales							
Sales to third parties	19,878	8,096	876	4	28,856	—	28,856
Inter-segment sales and transfers	31	0	—	435	467	(467)	—
Total	19,909	8,097	876	439	29,323	(467)	28,856
Segment profit	2,107	511	79	41	2,738	(1,825)	913

Notes:

1. The “Other” segment includes operations not included in reporting segments such as the dispatch of temporary staff.
2. The segment profit adjustment amount is a loss of 1,825 million yen. This is comprised of an elimination of inter-segment sales and transfer amount of 1 million yen and corporate expenditure (a loss of 1,824 million yen) that is not allocated to each reporting segment. Corporate expenditure is primarily comprised of selling, general and administrative expenses as well as research and development costs that are not allocated to each reporting segment.
3. Segment profit has been adjusted with operating income recorded under the quarterly consolidated statement of income.

4. Supporting Materials for the Financial Results

(1) The Status of Production, Orders, and Sales

(a) Production Status

Business segment	First Three Quarters, FY2013 (June 1, 2013 to February 28, 2014)		First Three Quarters, FY2014 (June 1, 2014 to February 28, 2015)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	15,313	65.1	19,989	70.6
Industrial Systems	7,370	31.3	7,778	27.5
Information Equipment Systems	836	3.6	526	1.9
Other	—	—	—	—
Total	23,520	100.0	28,294	100.0

Notes:

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

(b) Status of Orders Received

Business segment	First Three Quarters, FY2013 (June 1, 2013 to February 28, 2014)		First Three Quarters, FY2014 (June 1, 2014 to February 28, 2015)	
	Orders Received (Millions of yen)	Balance (Millions of yen)	Orders Received (Millions of yen)	Balance (Millions of yen)
Transportation Systems	19,904	22,604	19,269	25,039
Industrial Systems	8,337	5,083	9,162	5,994
Information Equipment Systems	1,463	718	826	190
Other	4	—	4	—
Total	29,710	28,405	29,263	31,224

Notes:

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

(c) Sales Status

Business segment	First Three Quarters, FY2013 (June 1, 2013 to February 28, 2014)		First Three Quarters, FY2014 (June 1, 2014 to February 28, 2015)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Systems	15,355	62.6	19,878	68.9
Industrial Systems	8,010	32.7	8,096	28.1
Information Equipment Systems	1,141	4.7	876	3.0
Other	4	0.0	4	0.0
Total	24,511	100.0	28,856	100.0

Notes:

1. Amounts are exclusive of consumption and other taxes.
2. Looking at the overall nature and structure of the Group business activities, sales are generally concentrated in the fourth quarter of each fiscal year. As a result, quarterly consolidated operating results are impacted by seasonal factors.