

Interim Financial Statements (Excerpts)

For the first half of the fiscal year ending May 31, 2008

Toyo Denki Seizo K.K.

Stock Code: 6505

Representative:

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I. Consolidated Business Results for the Interim Period (June 1, 2007 – November 30, 2007)

1. Consolidated Operating Results

Note: Amounts in financial statements and the supplementary data are rounded down.

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

	Net sales		Operating Income		Ordinary Income		Net Income	
Interim Period Ended November 30, 2007	16,922	4.9%	(43)	–	(154)	–	(452)	–
Interim Period Ended November 30, 2006	16,134	14.5%	441	(59.4)	451	(59.6)	(1,037)	–
Fiscal Year Ended May 31, 2007	36,571	–	1,928	–	1,967	–	(151)	–

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
Interim Period Ended November 30, 2007	(9.98)	–
Interim Period Ended November 30, 2006	(22.83)	–
Fiscal Year Ended May 31, 2007	(3.33)	–

Reference: Equity method investment gain or loss for: Interim period ended November 30, 2007: - million yen
Interim period ended November 30, 2006: - million yen
Fiscal year ended May 31, 2007: - million yen

2. Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Interim Period Ended November 30, 2007	35,038	13,523	38.6	301.11
Interim Period Ended November 30, 2006	34,449	14,015	40.7	308.42
Fiscal Year Ended May 31, 2007	35,763	14,754	41.3	324.79

Reference: Shareholders' equity for: Interim period ended November 30, 2007: 13,523 million yen
Interim period ended November 30, 2006: 14,015 million yen
Fiscal year ended May 31, 2007: 14,754 million yen

3. Consolidated Cash Flows

(In millions of yen)

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents at the End of the Period
Interim Period Ended November 30, 2007	(1,733)	(415)	480	1,137
Interim Period Ended November 30, 2006	(7)	(664)	(612)	890
Fiscal Year Ended May 31, 2007	2,465	(1,280)	(553)	2,806

II. Dividend Information

(Record date)	Dividend per Share (Yen)		
	Interim	Year-end	Annual
Fiscal year ending May 31, 2007	–	6.00	6.00
Fiscal year ending May 31, 2008	–		6.00
Fiscal year ending May 31, 2008 (Forecast)		6.00	

III. Full Year Consolidated Forecast (June 1, 2007 - May 31, 2008)

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

	Net sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Full year	39,000	6.6%	1,200	(37.8%)	1,000	(49.2)%	500	–	11.03

IV. Other

- (1) Transfers of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Changes in accounting principles, procedures and methods of presentation relating to the preparation of interim consolidated financial statements (Recorded under Changes in Significant Accounting Policies Relating to the Interim Consolidated Financial Statements)
 - (a) Changes accompanying amendments to accounting standards: Yes
 - (b) Changes other than those in (a): Yes
- (3) Number of shares issued and outstanding (Ordinary shares)
 - (a) Number of shares issued and outstanding at end of the period (including treasury stock)
 - Interim period ended November 30, 2007: 46,575,000 shares
 - Interim period ended November 30, 2006: 46,575,000 shares
 - Fiscal year ended May 31, 2007: 46,575,000 shares
 - (b) Number of shares of treasury stock issued and outstanding at end of the period
 - Interim period ended November 30, 2007: 1,663,480 shares
 - Interim period ended November 30, 2006: 1,133,281 shares
 - Fiscal year ended May 31, 2007: 1,147,756 shares

(Reference) Summary of Non-Consolidated Business Results

I. Non-Consolidated Business Results for the Interim Period (June 1, 2007 – November 30, 2007)

1. Non-Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Interim Period Ended November 30, 2007	13,910	4.8%	(530)	–	(366)	–	(449)	–
Interim Period Ended November 30, 2006	13,278	17.5%	76	(88.4)%	325	(62.5)%	(854)	–
Fiscal Year Ended May 31, 2007	30,755	–	1,074	–	1,336	–	(288)	–

	Net Income per Share (Yen)
Interim Period Ended November 30, 2007	(9.91)
Interim Period Ended November 30, 2006	(18.81)
Fiscal Year Ended May 31, 2007	(6.34)

2. Non-Consolidated Financial Position

(In millions of yen, except where noted)

	Total Assets	Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
Interim Period Ended November 30, 2007	31,617	11,002	34.8	244.98
Interim Period Ended November 30, 2006	30,779	11,804	38.4	259.78
Fiscal Year Ended May 31, 2007	32,249	12,274	38.1	270.19

Reference: Shareholders' equity for: Interim period ended November 30, 2007: 11,002 million yen
 Interim period ended November 30, 2006: 11,804 million yen
 Fiscal year ended May 31, 2007: 12,274 million yen

II. Full Year Non-Consolidated Forecast (June 1, 2007 - May 31, 2008)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Full year	32,500	5.7%	300	(72.1)%	400	(70.1)%	200	–	4.41

* Disclaimer concerning the proper use of business results forecasts

The numerical forecasts above have been calculated on the basis of currently available data and may differ from actual results.

1. Results of Operations

(1) Analysis of Results of Operations

During the interim period under review, the Japanese economy grew, albeit moderately, underpinned by such factors as robust capital expenditure and overseas demand resulting from the high growth in Asian countries, primarily China. On the other hand, elements of uncertainty surrounding the future of the economy have come to the fore. These include the hike in raw material prices, beginning with crude oil, and concerns over the repercussions of the US sub-prime loan issue.

The Toyo Denki Group initiated the Innovation 90 Plan, a medium-term management plan, in June 2006, and has been striving to expand its operations and increase corporate value. The Group's performance during the interim period under review, which is the second year of the Innovation 90 Plan, is as below.

- (a) Orders received, which were strong in the Transportation Business segment, stood at 21,603 million yen, up 25.1% compared to the same period last year.
- (b) Sales were solid in the Industrial Systems segment as well as the Transportation Business segment despite a decline in the Information Systems segment due to the completion of IC-compatible equipment deliveries last fiscal year, and stood at 16,922 million yen, up 4.9% year-on-year.
- (c) In terms of income, the gross profit margin declined, and the Group was unable to offset the increase in advance expenses such as personnel expenses and R&D expenses invested in order to expand its operations. This was due to a series of projects with a high proportion of new design and development, such as the Shinkansen projects, overseas projects, and environmentally friendly products employing batteries in the Transportation Business segment, in addition to the effect of the hike in the prices of raw materials and Group cost-cutting efforts falling below projections. As a result, the Group posted an operating loss of 43 million yen and recorded an ordinary loss of 154 million yen for the interim period. There was a net loss of 452 million yen, due to such factors as the change in the treatment of the directors' retirement benefits at Toyo Denki and some of its consolidated subsidiaries as an expense at the time of the expenditure to the method of recording a reserve for directors' retirement benefits, booking an extraordinary loss of 125 million yen equivalent to the sum needed to make up for the previous fiscal years.

Results by business segment are as follows.

Transportation Business Segment

Orders received have been strong both in Japan and overseas, standing at 11.9 billion yen, up 51.9% year-on-year, particularly with the addition of an order for electrical equipment for the Chengdu subway line 1, which will be the first subway project in China's Sichuan Province. Sales rose 9.1% year-on-year to 8,941 million yen.

Industrial Systems Segment

Orders received rose 2.1% year-on-year to 8,463 million yen because capital expenditure overall has been strong, and sales amounted to 7,352 million yen, up 10.2% compared to the same period last year.

Information Systems Segment

Orders received increased by 8.1% compared to the same period last year to 1,239 million yen as a result of expanded sales of IC-compatible equipment for station operation systems. On the other hand, sales were down 50.4% to 627 million yen following last fiscal year's completion of deliveries of IC-compatible equipment for station operation systems in the Tokyo metropolitan area.

The full year outlook is as follows.

In terms of the future economic outlook, there are more elements of uncertainty impacting the future of the economy, such as the hike in the price of crude oil and other raw materials and concerns over the repercussions of the US sub-prime loan issue, although capital expenditure by the Group's customers is expected to remain robust.

Sales are expected to rise 6.6% to 39.0 billion yen for the full fiscal year. Meanwhile, with an earnings structure similar to that of the interim period under review expected to continue throughout the fiscal year, full-year operating income is forecast to fall 37.8% to 1.2 billion yen.

The Toyo Denki Group is making efforts to improve the earnings structure while striving to achieve the Innovation 90 Plan, expanding its operations and increasing corporate value.

The consolidated forecasts by business segment for the fiscal year ending May 2008 are as follows.

	Net sales	Operating income
Transportation Business	18,000 million yen	100 million yen
Industrial Systems	18,500 million yen	1,000 million yen
Information Systems	2,500 million yen	100 million yen
Consolidated total	39,000 million yen	1,200 million yen

Reference

The non-consolidated forecasts by business segment for the fiscal year ending May 2008 are as follows.

	Net sales	Operating income
Transportation Business	15,200 million yen	-400 million yen
Industrial Systems	15,700 million yen	650 million yen
Information Systems	1,600 million yen	50 million yen
Non-consolidated total	32,500 million yen	300 million yen

(2) Analysis of Financial Position

The balance of consolidated cash and cash equivalents at the end of the consolidated interim period under review rose by 247 million yen compared to the same period last year to 1,137 million yen.

Cash used by operating activities was 1,733 million yen due to such factors as a 273 million yen net loss before taxes, and increases of 273 million yen in notes and accounts receivable-trade and 963 million yen in inventories.

Cash used by investing activities was 415 million yen due to such factors as the acquisition of tangible fixed assets.

Cash generated by financial activities amounted to 480 million yen as a result of long-term borrowings and the issue of corporate bonds despite such factors as the acquisition of treasury stock and the payment of dividends.

(3) Fundamental Policy concerning Distribution of Surplus and Dividend for the Current Fiscal Year

The maintenance of stable dividends forms the basis of Toyo Denki's distribution of surplus. The Company applies internal reserves to strengthen its financial position in addition to making strategic allocations to such areas as research and development, capital expenditure and overseas expansion with the aims of growing its business and strengthening its management foundation in the future.

Toyo Denki plans a dividend of six yen per share for the current fiscal year. As in the previous fiscal year the Company has cancelled the interim dividend.

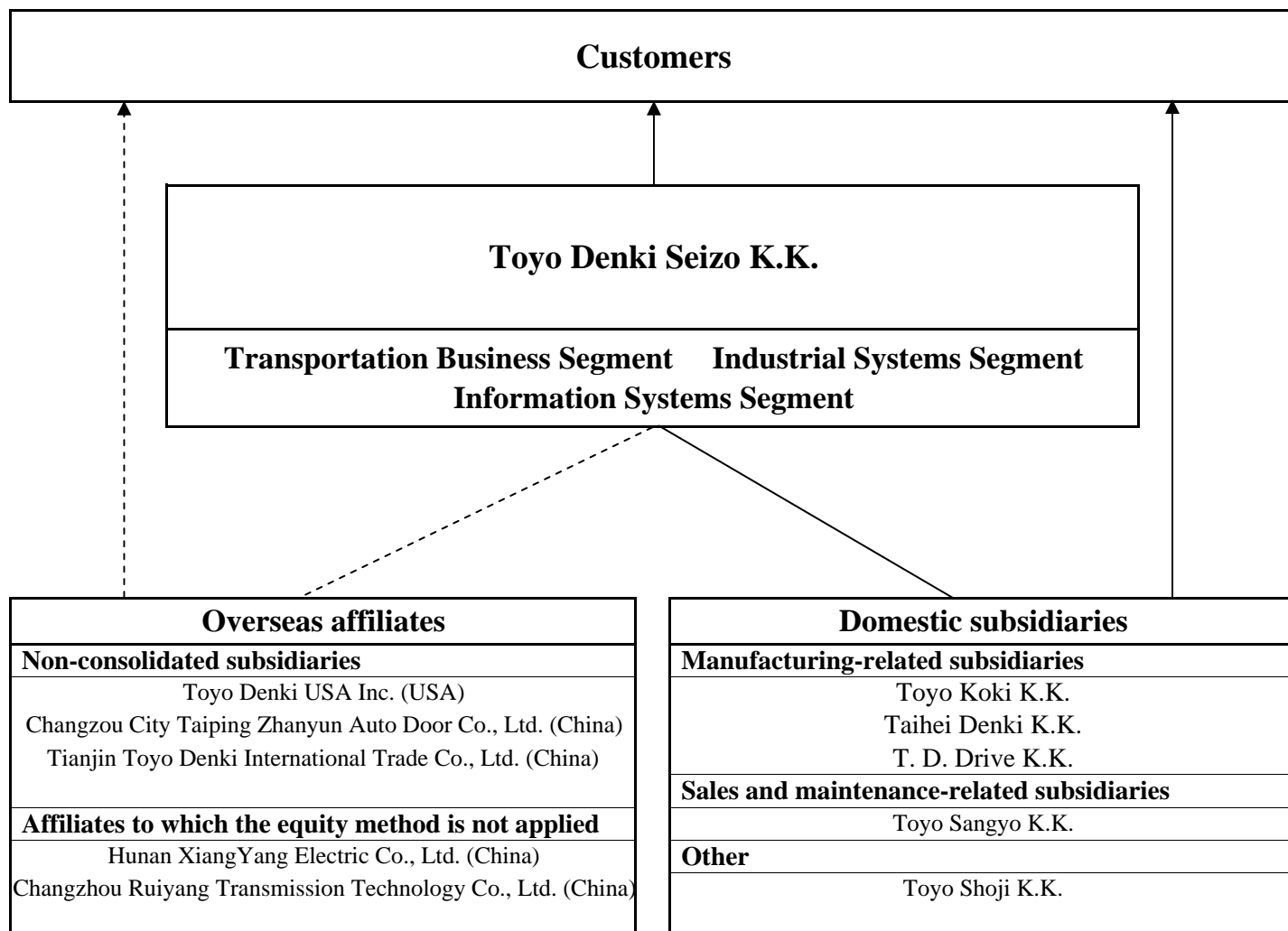
Toyo Denki will continue seeking to expand its operations and strengthen its management foundation as it strives to achieve a stable dividend.

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- 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. Actual financial results may differ depending on a variety of factors.
 - Forward-looking statements contained in this material are the judgements 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.

2. Overview of the Group

The Toyo Denki Group is composed of Toyo Denki, eight subsidiaries and two affiliated companies. The Group is engaged in the manufacture and sale of electrical equipment for Transportation Business Segment, Industrial Systems Segment and Information Systems Segment as well as incidental projects.

The positioning and the organizational diagram of the Toyo Denki Group are shown below.



Note: Segments other than electrical equipment are not recorded individually as they have no significant effect

4. Consolidated Interim Financial Statements

(1) Consolidated Interim Balance Sheets

(In millions of yen, except where noted)

	End of Previous Interim Period (A) (As of November 30, 2006)		End of Interim Period under Review (B) (As of November 30, 2007)		Increase (Decrease) (B) - (A)	End of Previous Fiscal Year (As of May 31, 2007)	
	Amount	%	Amount	%		Amount	%
(Assets)							
Current assets	19,537	56.7	20,364	58.1	827	20,837	58.3
Cash and cash equivalents	890		1,137		247	2,806	
Notes and accounts receivable - trade	9,629		10,114		484	9,840	
Inventory	8,134		8,283		149	7,319	
Other	912		880		(32)	890	
Allowance for doubtful accounts	(30)		(51)		(21)	(20)	
Fixed assets	14,911	43.3	14,667	41.9	(243)	14,926	41.7
Tangible fixed assets	3,405		3,751		346	3,677	
Intangible fixed assets	160		156		(4)	155	
Investment and other fixed assets	11,380		10,793		(586)	11,127	
Allowance for doubtful accounts	(34)		(33)		1	(34)	
Deferred assets	0	0.0	—		(0)	—	
Total assets	34,449	100.0	35,032	100.0	583	35,763	100.0
(Liabilities)							
Current liabilities	15,049	43.7	15,608	44.6	559	16,041	44.8
Notes and accounts payable - trade	5,656		6,201		544	6,713	
Short-term borrowings	3,225		3,460		235	3,300	
Current portion of corporate bonds	172		180		8	140	
Income taxes payable	217		199		(18)	202	
Accrued expenses	3,449		3,443		(5)	3,231	
Reserve for directors' bonuses	20		16		(3)	18	
Reserve for employees' bonuses	952		969		16	940	
Reserve for order losses	—		52		52	—	
Other	1,357		1,086		(270)	1,495	
Long-term liabilities	5,384	15.6	5,900	16.8	516	4,967	13.9
Corporate bonds	100		320		220	50	
Long-term borrowings	1,300		1,865		565	1,375	
Reserve for employees' retirement benefits	2,629		2,731		101	2,679	
Reserve for directors' retirement benefits	13		158		144	18	
Accrued liabilities at time of transfer to defined contribution pension plan	1,065		661		(403)	682	
Other	276		164		(111)	160	
Total liabilities	20,434	59.3	21,509	61.4	1,075	21,009	58.7
(Net Assets)							
Shareholders' equity	11,539	33.5	11,490	32.8	(48)	12,418	34.7
Common stock	4,482		4,482		—	4,482	
Capital surplus	2,661		2,661		—	2,661	
Retained earnings	4,763		4,925		161	5,649	
Treasury stock	(368)		(579)		(210)	(376)	
Evaluation and foreign currency translation adjustments	2,476	7.2	2,032	5.8	(443)	2,335	6.6
Differences in evaluation of other marketable securities	2,474		2,031		(442)	2,333	
Loss on deferred hedges	1		0		(0)	2	
Total net assets	14,015	40.7	13,523	38.6	(491)	14,754	41.3
Total net assets and liabilities	34,449	100.0	35,032	100.0	583	35,763	100.0

(2) Consolidated Interim Statements of Income

(In millions of yen, except where noted)

	Previous Interim Period (A)		Interim Period under Review (B)		Increase (Decrease) (B) - (A)	Previous Fiscal Year				
	(Jun. 1, 2006 to Nov. 30, 2006)		(Jun. 1, 2007 to Nov. 30, 2007)			(Jun. 1, 2006 to May 31, 2007)				
	Amount	%	Amount	%		Amount	Amount	%		
Net sales		16,134	100.0		16,922	100.0	787		36,571	100.0
Cost of sales		12,411	76.9		13,625	80.5	1,214		28,184	77.1
Gross profit		3,723	23.1		3,296	19.5	(426)		8,387	22.9
Selling, general and administrative expenses		3,281	20.4		3,339	19.8	58		6,458	17.6
Operating income		441	2.7		(43)	(0.3)	(484)		1,928	5.3
Non-operating income										
Interest and dividends received	50			60			9	89		
Miscellaneous income	49			31			(18)	141		
Total non-operating income		100	0.6		91	0.5	(8)		231	0.6
Non-operating expenses										
Interest expenses	55			61			6	118		
Miscellaneous expenses	34			140			105	74		
Total non-operating expenses		90	0.5		202	1.1	111		193	0.5
Ordinary income		451	2.8		(154)	(0.9)	(605)		1,967	5.4
Extraordinary income										
Gain on sale of investment securities	3			6			2	3		
Gain on estimated prime cost revision	49			—			(49)	49		
Reversal of allowance for doubtful accounts	9			—			(9)	19		
Gain on sale of fixed assets	7			—			(7)	7		
Total extraordinary income		70	0.4		6	0.0	(63)		80	0.2
Extraordinary losses										
Provision for allowance for directors' retirement benefits	—			125			125	—		
Expenses accompanying change to retirement benefit plan	2,054			—			(2,054)	2,054		
Directors' retirement benefits	61			—			(61)	61		
Loss on devaluation of investment securities	—			—			—	51		
Loss on sale of fixed assets	5			—			(5)	5		
Loss on devaluation of golf club membership	—			—			—	2		
Total extraordinary losses		2,122	13.1		125	0.7	(1,996)		2,176	6.0
Net income before taxes		(1,600)	(9.9)		(273)	(1.6)	1,327		(128)	(0.4)
Corporate tax, local and enterprise taxes		210	1.3		176	1.1	(34)		705	1.9
Corporate tax adjustments, etc..		(774)	(4.8)		2	0.0	776		(682)	(1.9)
Net income		(1,037)	(6.4)		(452)	(2.7)	585		(151)	(0.4)

(3) Consolidated Interim Statements of Change in Shareholders' Equity

Previous Interim Period (Jun. 1, 2006 to Nov. 30, 2006)

(In millions of yen)

	Shareholders' Equity					Evaluation and Foreign Currency Translation Adjustments			Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Differences in evaluation of other marketable securities	Loss on deferred hedges	Total evaluation and foreign currency translation adjustments	
Balance at May 31, 2006	4,482	2,661	6,073	(356)	12,862	2,329	3	2,333	15,195
Change during the period									
Distribution of retained earnings	-	-	(272)	-	(272)	-	-	-	(272)
Net income	-	-	(1,037)	-	(1,037)	-	-	-	(1,037)
Acquisition of treasury stock	-	-	-	(12)	(12)	-	-	-	(12)
Net change in items other than shareholders' equity during the period	-	-	-	-	-	144	(1)	142	142
Total change during the period	-	-	(1,310)	(12)	(1,322)	144	(1)	142	(1,180)
Balance at November 30, 2006	4,482	2,661	4,763	(368)	11,539	2,474	1	2,476	14,015

Interim Period under Review (Jun. 1, 2007 to Nov. 30, 2007)

(In millions of yen)

	Shareholders' equity					Evaluation and foreign currency translation adjustments			Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Differences in evaluation of other marketable securities	Loss on deferred hedges	Total evaluation and foreign currency translation adjustments	
Balance at May 31, 2007	4,482	2,661	5,649	(376)	12,418	2,333	2	2,335	14,754
Change during the period									
Distribution of retained earnings	-	-	(272)	-	(272)	-	-	-	(272)
Net income	-	-	(452)	-	(452)	-	-	-	(452)
Acquisition of treasury stock	-	-	-	(203)	(203)	-	-	-	(203)
Net change in items other than shareholders' equity during the period	-	-	-	-	-	(301)	(1)	(303)	(303)
Total change during the period	-	-	(724)	(203)	(927)	(301)	(1)	(303)	(1,230)
Balance at November 30, 2007	4,482	2,661	4,925	(579)	11,490	2,031	0	2,032	13,523

Previous Fiscal Year (Jun. 1, 2006 to May 31, 2007)

(In millions of yen)

	Shareholders' Equity					Evaluation and Foreign Currency Translation Adjustments			Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Differences in evaluation of other marketable securities	Loss on deferred hedges	Total evaluation and foreign currency translation adjustments	
Balance at May 31, 2006	4,482	2,661	6,073	(356)	12,862	2,329	3	2,333	15,195
Change during fiscal year									
Distribution of retained earnings	-	-	(272)	-	(272)	-	-	-	(272)
Net income	-	-	(151)	-	(151)	-	-	-	(151)
Acquisition of treasury stock	-	-	-	(19)	(19)	-	-	-	(19)
Net change in items other than shareholders' equity during fiscal year	-	-	-	-	-	3	(0)	2	2
Total change during fiscal year	-	-	(423)	(19)	(443)	3	(0)	2	(441)
Balance at May 31, 2007	4,482	2,661	5,649	(376)	12,418	2,333	2	2,335	14,754

(4) Consolidated Interim Statements of Cash Flows

(In millions of yen)

	Previous Interim Period (A) (Jun. 1, 2006 to Nov. 30, 2006)	Interim Period under Review (B) (Jun. 1, 2007 to Nov. 30, 2007)	Increase (Decrease) (B) - (A)	Previous Fiscal Year (Jun. 1, 2006 to May 31, 2007)
I. Cash flow from operating activities				
Net income before taxes	(1,600)	(273)	1,327	(128)
Depreciation expenses	220	340	120	507
Increase (decrease) in allowance for doubtful accounts	(9)	29	39	(19)
Increase (decrease) in reserve for employees' bonuses	11	27	15	0
Increase (decrease) in reserve for directors' bonuses	(8)	139	148	(3)
Increase (decrease) in reserve for employees' retirement benefits	525	51	(474)	576
Increase (decrease) in reserve for order losses	—	52	52	—
Interest and dividend income	(50)	(60)	(9)	(89)
Interest expenses	55	61	6	118
Gain on sale of investment securities	(3)	(6)	(2)	(3)
Loss on devaluation of investment securities	—	—	—	51
Gain on sale of tangible fixed assets	(7)	—	7	(7)
Loss on sale of tangible fixed assets	5	24	19	5
Decrease (increase) in notes and accounts receivable-trade	225	(273)	(498)	14
Decrease (increase) in inventory	(1,425)	(963)	461	(610)
Increase (decrease) in notes and accounts payable-trade	652	(363)	(1,016)	1,457
Increase (decrease) in accrued liabilities at time of transfer to defined contribution pension plan	1,420	(32)	(1,452)	1,024
Other	309	(295)	(604)	418
Subtotal	319	(1,542)	(1,862)	3,310
Interest and dividend income received	50	60	9	89
Interest paid	(53)	(57)	(4)	(118)
Payments for corporate and other taxes	(324)	(194)	129	(816)
Cash flow from operating activities	(7)	(1,733)	(1,726)	2,465
II. Cash flow from investing activities				
Funds used for purchase of investment securities	(3)	(3)	0	(124)
Funds provided by sale of investment securities	15	6	(8)	15
Funds used for purchase of tangible fixed assets	(672)	(451)	220	(1,163)
Funds provided by sale of tangible fixed assets	8	2	(5)	12
Investments and other assets Expenditure due to other acquisitions, etc.	(184)	(24)	160	(226)
Investments and other assets Income due to other collection, etc.	200	77	(122)	253
Other	(27)	(23)	3	(46)
Cash flow from investing activities	(664)	(415)	248	(1,280)
III. Cash flow from financing activities				
Net increase (decrease) in short-term borrowings	(98)	—	98	(98)
Proceeds from long-term borrowings	—	800	800	300
Repayments of long-term borrowings	(150)	(150)	—	(300)
Proceeds from issuance of bonds	—	393	393	—
Redemption of bonds	(82)	(90)	(8)	(164)
Payment for acquisition of treasury stock	(12)	(203)	(190)	(19)
Cash dividends paid	(269)	(270)	(0)	(270)
Cash flow from financing activities	(612)	480	1,093	(553)
IV. Effect of exchange rate changes on cash and cash equivalents	—	—	—	—
V. Increase (decrease) in cash and cash equivalents	(1,284)	(1,668)	(384)	631
VI. Balance of cash and cash equivalents at the beginning of the year	2,174	2,806	631	2,174
VIII. Balance of cash and cash equivalents at the end of the interim period	890	1,137	247	2,806