

October 14, 2008

## Summary of Business Results for the First Quarter of Fiscal 2008

For the fiscal year ending May 31, 2009

**Toyo Denki Seizo K.K.**

Stock Code: 6505

Representative

Inquiries:

Stock Exchange: 1st Section of the Tokyo Stock Exchange

URL: <http://www.toyodenki.co.jp/>

Teruyuki Oosawa, President

Kiyoyuki Tsujii, Executive Officer

TEL.: +81-3-3535-0632

Scheduled date of submission of quarterly financial report: October 14, 2008

Scheduled date of commencement of dividend payments: Yet to be decided

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

### 1. Consolidated Business Results for the First Quarter of Fiscal 2008 (June 1, 2008 – August 31, 2008)

#### 1. Consolidated Operating Results

(Percentage figures indicate the increase or (decrease) from the corresponding period of the previous fiscal year)

	Net Sales	Operating Income	Ordinary Income	Net Income
1Q FY2008	6,605 —	47 —	111 —	(184) —
1Q FY2007	6,803 (5.9)%	114 99.1%	123 1.8%	(88) —

	Net Income per Share (Yen)	Diluted Net Income per Share (Yen)
1Q FY2008	(4.14)	—
1Q FY2007	(1.96)	—

#### 2. Consolidated Financial Position

	Total Assets	Total Net Assets	Shareholders' Equity Ratio (%)	Net Assets per Share (Yen)
As of August 31, 2008	35,357	13,316	37.7	299.28
As of May 31, 2008	35,371	13,729	38.8	308.51

Reference: Shareholders' Equity: As of August 31, 2008: 13,316 million yen

As of May 31, 2008: 13,729 million yen

### 2. Dividends

(Record Date)	Dividend per Share (Yen)				
	1Q	Interim	3Q	Full Fiscal Year	Annual
FY2007	—	—	—	6.00	6.00
FY2008	—				6.00
FY2008 (Planned)				6.00	

Note: Revisions to planned dividends during the quarter under review: None

### 3. Forecasts of Consolidated Business Results for Fiscal 2008 (June 1, 2008 – May 31, 2009)

(Percentage figures indicate the increase or (decrease) from the corresponding period of the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Interim	17,500	3.4%	500	—	500	—	300	—	6.74
Full Fiscal Year	40,000	4.9%	2,000	43.8%	1,800	50.3%	900	68.9%	20.22

Note: Revisions to consolidated business results during the quarter under review: None

### 4. Other

- Transfer of major subsidiaries during the period (transfer of specified subsidiaries accompanied by changes in the scope of consolidation):

Yes                      Number of newly included companies: 1 (TOYO DENKI USA, INC.)

Note: Please refer to Section “4. Other (1)” in Qualitative Information, Financial Statements, and Other below, for details.

- 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 below, for details.

- 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 below, for details.

- Number of shares issued and outstanding (ordinary shares)

- Number of shares issued and outstanding as of the end of the period (including treasury stock):

As of August 31, 2008:                      46,575,000 shares

As of May 31, 2008:                         46,575,000 shares

- Number of shares of treasury stock issued and outstanding as of the end of the period:

As of August 31, 2008:                      2,079,746 shares

As of May 31, 2008:                         2,072,491 shares

- Average number of shares issued and outstanding for the period:

1Q FY2008:                                      44,499,194 shares

1Q FY2007:                                      45,425,131 shares

#### Disclaimer concerning the proper use of business results forecasts and other relevant specific items

- Toyo Denki Seizo K.K. has applied the Accounting Standard for Quarterly Financial Reporting (Financial Accounting Standard No. 12 issued by the Accounting Standards Board of Japan), and the Guidance on Accounting Standard for Quarterly Financial Reporting (Financial Accounting Standard Implementation Guidance No. 14 issued by the Accounting Standards Board of Japan) from the fiscal year ending May 31, 2009. Furthermore, the Company prepares quarterly consolidated financial statements in accordance with the Regulations on Quarterly Consolidated Financial Statements.
- The forecasts of business results presented in this document are based on management 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 could differ materially from forecasts.

## Qualitative Information, Financial Statements, and Other

### 1. Qualitative Information regarding Consolidated Operating Results

During the first quarter of fiscal 2008, the fiscal year ending May 31, 2009, the corporate sector exhibited increasingly conspicuous signs of a cautious approach toward capital investment. In addition to the marked impact of the sub-prime loan crisis in the United States from the beginning of the year, this cautious approach was attributable to further hikes in the prices of crude oil and other raw materials as well as sudden fluctuations in foreign currency exchange rate markets. As a result, decreases in personal consumption and capital investment became increasingly evident from the first quarter of the fiscal year.

Against the backdrop of this harsh economic environment, the Toyo Denki Group is working diligently in the final year of its Innovation 90 Plan to achieve established objectives. The Group's performance in the first quarter of the fiscal year under review was as follows.

- (a) Results in connection with orders received were mixed. Despite an increase in the Information Systems segment, orders received declined in both the Transportation Business and Industrial Systems segments. Accounting for these factors, overall orders received amounted to 8,962 million yen, a decrease of 14.3% compared with the corresponding period of the previous fiscal year.
- (b) During the period under review, sales grew in the Transportation Business segment. This was offset, however, by the decline in sales in each of the Industrial Systems and Information Systems segments. As a result, sales edged down 2.9% year on year to 6,605 million yen.
- (c) From a profit perspective, operating income dropped 58.8% compared with the corresponding period of the previous fiscal year to 47 million yen. Despite manufacturing efficiency improvements in the Transportation Business segment, this was caused by the decline in Industrial Systems segment sales. Ordinary income fell 9.8% year on year to 111 million yen while the Toyo Denki Group reported a net loss of 84 million yen for the period under review.

Results by business segment are provided as follows.

#### *Transportation Business Segment*

Orders received in this segment surpassed estimates identified at the beginning of the period. On a year-on-year basis, however, orders received declined 15.1% to 4,999 million yen. Segment sales climbed 11.2% compared with the corresponding period of the previous fiscal year amounting to 3,865 million yen.

#### *Industrial Systems Segment*

During the first quarter of the fiscal year under review, the corporate sector adopted a cautious approach toward capital investment. As a result, orders received in this segment declined 19.4% year on year to 3,324 million yen. In similar fashion, sales totaled 2,472 million yen, down 16.9% compared with the corresponding period of the previous fiscal year.

#### *Information Systems Segment*

Order received surged 43.8% year on year to 637 million yen. Sales on the other hand dropped 24.4% compared with the corresponding period of the previous fiscal year to 267 million yen.

### 2. Qualitative Information regarding Consolidated Financial Position

Total assets as of August 31, 2008 stood at 35,357 million yen, a decrease of 13 million yen compared with the end of the previous fiscal year. The principal movements were an increase in inventory and a decrease in notes and accounts receivable — trade.

Total liabilities were 22,041 million yen at the end of the period under review. This was 399 million yen higher than March 31, 2008. This was caused by a variety of factors including a decrease in notes and accounts payable — trade and an increase in borrowings.

Total net assets stood at 13,316 million yen as of August 31, 2008, a decrease of 412 million yen

compared with the previous fiscal year-end. In addition to the payment of dividends, this was due to such factors as a change in the Company's scope of consolidation.

### 3. Qualitative Information regarding Forecasts of Consolidated Business Results

There are no changes to the forecasts released on July 14, 2008.

### 4. Other

- (1) Transfer of major subsidiaries during the period (transfers of specified subsidiaries accompanied by changes in the scope of consolidation)

Number of consolidated subsidiary companies: Six

TOYO DENKI USA, INC. was included in the Company's scope of consolidation from the first quarter of the fiscal year ending May 31, 2009 due to its growing importance.

- (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*

*(Application of the Accounting Standard for Quarterly Financial Reporting and related Guidance)*

Effective from the first quarter of the fiscal year ending May 31, 2009, Toyo Denki Seizo K.K. has applied the Accounting Standard for Quarterly Financial Reporting (Financial Accounting Standard No. 12 issued by the Accounting Standards Board of Japan on March 14, 2007). The company has also applied the Guidance on the Accounting Standard for Quarterly Financial Reporting (Financial Accounting Standard Implementation Guidance No. 14 issued by the Accounting Standards Board of Japan on March 14, 2007). Furthermore, the Company prepares quarterly consolidated financial statements in accordance with the Regulations on Quarterly Consolidated Financial Statements.

*(Application of the Accounting Standard for the Measurement of Inventories)*

Effective from the first quarter of the fiscal year ending May 31, 2009, Toyo Denki Seizo K.K. has applied the Accounting Standard for the Measurement of Inventories (Financial Accounting Standard No. 9 issued by the Accounting Standards Board of Japan on July 5, 2006). Accordingly, the Company has changed the valuation basis for inventories from the previously used cost method to the cost method which writes down the book value of inventories based on the deterioration in profitability.

Compared with the previous method applied in the measurement of inventories, the application of this standard has resulted in a five million yen decrease in operating income, ordinary income and net income before taxes.

*(Application of the Accounting Standard for Lease Transactions and related Guidance)*

Effective from the first quarter of the fiscal year ending May 31, 2009, Toyo Denki Seizo K.K. implemented the early adoption of the Accounting Standard for lease Transactions (Financial Accounting

Standard No. 13 issued by the Accounting Standards Board of Japan on June 17, 1993 and last amended on March 30, 2007) and the Guidance on the Accounting Standard for lease Transactions (Financial Accounting Standard Implementation Guidance No. 16 issued by the Accounting Standards Board of Japan on January 18, 1994 and last amended on March 30, 2007). Previously, finance lease transactions that did not transfer ownership had historically been accounted for as operating leases. As a result of the change in accounting standard, finance lease transactions that do not transfer ownership are now treated as sales and purchase transactions.

In addition, lease assets are depreciated on a straight-line basis with the lease periods as their useful lives and no residual value.

With regard to finance lease transactions that do not transfer ownership that occurred prior to the beginning of the fiscal year to which they are applied, the accounting treatment applicable to operating lease transactions will continue to apply.

Taking the aforementioned into consideration, the impact on operating income, ordinary income and net income before taxes is immaterial.

## 5. Quarterly Consolidated Financial Accounts

Toyo Denki Seizo K.K. has applied the Accounting Standard for Quarterly Financial Reporting (Financial Accounting Standard No. 12 issued by the Accounting Standards Board of Japan) and the Guidance on Accounting Standard for Quarterly Financial Reporting (Financial Accounting Standard Implementation Guidance No. 14 issued by the Accounting Standards Board of Japan) from the fiscal year ending May 31, 2009. Furthermore, the Company prepares quarterly consolidated financial statements in accordance with the Regulations on Quarterly Consolidated Financial Statements.

### (1) Consolidated Balance Sheets

	(Millions of yen)	
	End of the first quarter FY2008	End of the previous fiscal year FY2007
	(As of August 31, 2008)	(As of May 31, 2008)
(Assets)		
Current assets		
Cash and cash equivalents	2,023	2,230
Notes and accounts receivable — trade	10,560	11,968
Inventory	8,329	6,530
Other	924	1,025
Allowance for doubtful accounts	(56)	(49)
Total current assets	21,779	21,705
Fixed assets		
Tangible fixed assets		
Buildings and structures	4,579	4,542
Accumulated depreciation	(3,257)	(3,225)
Buildings and structures (net)	1,322	1,317
Machinery and equipment	5,581	5,521
Accumulated depreciation	(4,109)	(3,990)
Machinery and equipment (net)	1,472	1,531
Land	289	289
Construction work in progress	143	124
Other	2,120	2,086
Accumulated depreciation	(1,678)	(1,632)
Other (net)	441	453
Total tangible fixed assets	3,668	3,716
Intangible fixed assets		
Software	183	131
Other	35	35
Total intangible fixed assets	219	166
Investments and other fixed assets		
Investment securities	7,833	7,754
Other	1,883	2,055
Allowaance for doubtful accounts	(26)	(26)
Total investments and other fixed assets	9,690	9,782
Total fixed assets	13,577	13,665
Total assets	35,357	35,371

	End of the first quarter FY2008 (As of August 31, 2008)	End of the previous fiscal year FY2007 (As of May 31, 2008)
(Liabilities)		
Current liabilities		
Notes and accounts payable — trade	5,693	6,382
Short-term borrowings	6,260	4,460
Current portion of corporate bonds	130	130
Income taxes payable	46	244
Consumption and other taxes payable	44	244
Accrued expenses	3,548	3,638
Advances received	458	336
Deposits received	331	212
Reserve for employees' bonuses	472	886
Reserve for directors' bonuses	9	12
Reserve for order losses	88	127
Other	520	520
Total current liabilities	17,603	17,196
Long-term liabilities		
Corporate bonds	280	280
Long-term borrowings	610	635
Reserve for employees' retirement benefits	2,889	2,884
Reserve for directors' retirement benefits	193	182
Accrued liabilities at the time of transfer to a defined contribution pension plan	316	316
Long-term payables	147	147
Total long-term liabilities	4,437	4,445
Total liabilities	22,041	21,641
(Net assets)		
Shareholders' equity		
Common stock	4,482	4,482
Capital surplus	2,661	2,661
Retained earnings	5,374	5,910
Treasury stock	(688)	(685)
Total shareholders' equity	11,831	12,369
Evaluation and foreign currency translation adjustments		
Differences in evaluation of other marketable securities	1,509	1,359
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment account	(23)	—
Total evaluation and foreign currency translation adjustments	1,485	1,360
Total net assets	13,316	13,729
Total net assets and liabilities	35,357	35,371

## (2) Quarterly Consolidated Statement of Income

(Millions of yen)

	First quarter FY2008 (June 1, 2008 to August 31, 2008)
Net sales	6,605
Cost of sales	5,050
Gross profit	1,554
Selling, general and administrative expenses	1,507
Operating income	47
Non-operating income	
Interest received	0
Dividends received	57
Gain on foreign exchange	29
Miscellaneous income	15
Total non-operating income	102
Non-operating expenses	
Interest expenses	31
Loss on disposal of fixed assets	2
Miscellaneous expenses	4
Total non-operating expenses	38
Ordinary income	111
Extraordinary losses	
Extraordinary expenses	46
Total extraordinary expenses	46
Net income before taxes	65
Corporate, local and enterprise taxes	18
Corporate tax adjustments, etc.	231
Total taxes	249
Net loss	(184)

## (3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	First quarter FY2008 (June 1, 2008 to August 31, 2008)
Cash flows from operating activities	
Net income before taxes	65
Depreciation expenses	209
Increase in allowance for doubtful accounts	7
Decrease in reserve for employees' bonuses	(414)
Increase in reserve for employees' retirement benefits	5
Increase in reserve for directors' retirement benefits	11
Interest and dividend income	(58)
Interest expenses	31
Decrease in notes and accounts receivable — trade	1,438
Increase in inventory	(1,797)
Decrease in notes and accounts payable — trade	(691)
Decrease in reserve for order losses	(39)
Other	(178)
Subtotal	(1,408)
Interest and dividend income received	58
Interest paid	(31)
Payments for corporate and other taxes	(216)
Net cash used in operating activities	(1,598)
Cash flows from investing activities	
Funds used for the purchase of tangible fixed assets	(150)
Funds provided by the sale of tangible fixed assets	4
Funds used for the purchase of investment securities	(6)
Other	(40)
Net cash used in investing activities	(192)
Cash flows from financing activities	
Net increase in short-term borrowings	1,800
Repayments of long-term borrowings	(25)
Payment for the acquisition of treasury stock	(2)
Cash dividends paid	(271)
Net cash provided by financing activities	1,501
Effect of exchange rate changes on cash and cash equivalents	5
Decrease in cash and cash equivalents	(284)
Balance of cash and cash equivalents at the beginning of the period	2,230
Increase 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	2,023

## (4) Segment Information

*(Segment information by business type)*

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)*

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)*

The first quarter of FY2008 (June 1, 2008 to August 31, 2008)

(Millions of yen)

	Asia	Other	Total
1. Overseas sales	1,186	98	1,284
2. Consolidated net sales	—	—	6,605
3. The ratio of overseas sales to consolidated net sales (%)	17.9	1.5	19.4

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, Pakistan
  - (2) Elsewhere: North America, Europe, other areas
3. Overseas sales are sales to customers outside of Japan by the Company and its consolidated subsidiaries.

## 6. The Status of Production, Orders, and Sales

## (1) Production

Business segment	First quarter FY2008 (June 1, 2008 to August 31, 2008)		Previous fiscal year (June 1, 2007 to May 31, 2008)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Business	4,556	58.9	19,983	55.0
Industrial Systems	2,921	37.8	13,932	38.3
Information Systems	255	3.3	2,436	6.7
Total	7,733	100.0	36,352	100.0

Notes:

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

## (2) Orders

Business segment	First quarter FY2008 (June 1, 2008 to August 31, 2008)		Previous fiscal year (June 1, 2007 to May 31, 2008)	
	Order amount Millions of yen	Order amount Millions of yen	Order amount Millions of yen	Order amount Millions of yen
Transportation Business	4,999	17,790	21,932	16,656
Industrial Systems	3,324	6,724	14,623	5,871
Information Systems	637	849	2,318	479
Total	8,962	25,364	38,873	23,007

Notes:

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

## (3) Sales

Business segment	First quarter FY2008 (June 1, 2008 to August 31, 2008)		Previous fiscal year (June 1, 2007 to May 31, 2008)	
	Millions of yen	Share (%)	Millions of yen	Share (%)
Transportation Business	3,865	58.5	19,781	51.9
Industrial Systems	2,472	37.4	15,901	41.7
Information Systems	267	4.1	2,447	6.4
Total	6,605	100.0	38,130	100.0

Notes:

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

(Reference)

## (Summary) Quarterly Consolidated Statement of Income

(Millions of yen)

Item	First quarter of FY2007 June 1, 2007 to 31-Aug-07
	Amount
<b>I. Net sales</b>	6,803
<b>II. Cost of sales</b>	5,123
Gross profit	1,679
<b>III. Selling, and general administrative expenses</b>	1,565
Operating income	114
<b>IV. Non-operating income</b>	73
Interest and dividends received	53
Miscellaneous non-operating income	20
<b>V. Non-operating expenses</b>	64
Interest paid	25
Miscellaneous non-operating expenses	38
Ordinary income	123
<b>VI. Extraordinary income</b>	—
<b>VII. Extraordinary losses</b>	125
Net income before taxes	(1)
Corporate, local, and enterprise taxes	68
Corporate tax adjustments, etc.	19
Net income	(88)